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Abrasive Leader Hopes to Boost Pretoria's Image

After Changes in Some of Apartheid's Rules, European Tour Is Aimed at Reducing Isolation

By Allister Sparks

Washington Post Service

JOHANNESBURG — Next month an irascible, hawkish politician, who sent shivers of trepidation down many spines when he became prime minister of South Africa six years ago, will embark on a journey to Europe aimed at trying to shed some of his country's pariah status.

Pieter W. Botha is hardly the public relations type. He has an abrasive manner and he has spent his whole life working as a political machine man, so that his personality tends to be one-dimensional.

But in six years as prime minister, he has committed himself to at least nominal changes in South Africa's apartheid system, and he has signed peace treaties with two neighboring black states to lower tensions in this troubled region.

These changes fall well short of the reforms most Western governments would consider to be minimum requirements, but they have been thought sufficient to warrant some encouragement.

Accordingly, Mr. Botha has received invitations to enable him to make the most extensive foreign tour of any prime minis-

ter since the Afrikaner National Party came to power 36 years ago. Chancellor Helmut Kohl has invited Mr. Botha to Bonn and Margaret Thatcher has asked him to lunch. He will also visit Belgium, Switzerland and Portugal.

Socialist France has resisted Pretoria's

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overtures to join the list of hosts, but Mr. Botha is going anyway to lay the foundation stone of a museum in Picardy to commemorate South Africa's war role. The French junior defense minister, Jean Laurain, will attend the ceremony, which is a recognition of sorts.

The changes Mr. Botha has wrought have required courage. They split the National Party and the whole Afrikaner folk, a trauma not easily comprehensible to Westerners. The schism is called a *volkskeuring*, a rearing of the people, and is something of which an Afrikaner leader's nightmares are made.

But Mr. Botha's main characteristic is a bulldozing determination. He is intolerant of opposition and nothing is further from his nature than tact. Once he has decided

on a course of action, he pursues it with a singleness of mind that can be headless of consequences.

He has mellowed somewhat since becoming prime minister, but his manner remains aggressive and authoritarian. He addresses audiences in a booming style, waving a finger like an angry schoolmaster. He has a blazing temper which can erupt in a flash if he is opposed or contradicted.

Helen Suzman, a veteran liberal, confesses to an abiding dislike of the man. After 31 years opposite him in Parliament, she says he is the only cabinet minister with whom she has never been on speaking terms.

"He may love little children and dogs for all I know, but I have only encountered him as an aggressive, hostile politician," she says.

Pieter Willem Botha was born near the Orange Free State hamlet of Paul Rook on Jan. 12, 1916.

He dropped out of university after just one year of law studies and is, therefore, the first of South Africa's nine prime ministers without a university education. Some people think this has given Mr. Botha a

sense of inferiority which accounts in part for his aggressive manner.

After leaving university, Mr. Botha went straight into the National Party as a full-time organizer.

By the age of 20 he was the party's chief organizer in Cape province. The party was in opposition and Mr. Botha relished the rough side of the Afrikaner's struggle for political supremacy. He organized youth groups which broke up meetings of General Jan Smuts's ruling United Party.

Mr. Botha entered Parliament when the Afrikaner nationalists came to power in 1948 and is now the longest-serving parliamentarian by five years. His rise was steady and his experience varied. He held a dozen cabinet posts before becoming defense minister in 1966.

That was a watershed. As a party organizer and cabinet minister, Mr. Botha acquired considerable experience as an administrator. Then his association with the military brought him into contact with an organizational system whose authoritarian structure appealed to him immediately.

During his 12 years as defense minister he soaked it all up, learning, too, about

(Continued on Page 3, Col. 2)

Kuwait Minister Criticizes U.S. on Gulf War Stand

Compiled by Our Staff From Dispatches

BAHRAIN — Kuwait's oil minister, Sheikh Ali Khalifa al-Sabah, criticized the United States on Monday for its "passive" attitude toward the Iraq-Iran war.

A meeting of Arab League foreign ministers condemned Iran on Sunday for "aggression" after attacks on tankers in the Gulf. And some Gulf Arab officials debated whether the West should become involved in the conflict.

The crown prince of Abu Dhabi, Sheikh Khalifa bin Zayed, said it was "high time the world community acted positively to bring the war to an end," but warned against "foreign intervention" against any Gulf country.

Eight ships have reportedly been attacked since last week. Sheikh Ali

said at the opening of a symposium on the future of Arab-American economic cooperation:

"The Arabs look with much astonishment and surprise to the passive attitude which the United States takes toward the Iraq-Iran war, the continuation of which poses great dangers to the entire region and world peace."

A senior U.S. State Department official visited Saudi Arabia on Monday to confer with government leaders amid fears that the kingdom might be dragged into a widening Iran-Iraq war.

Assistant Secretary of State Richard A. Murphy flew there after accompanying Vice President George Bush to Oman. U.S. officials said, America's only access to military bases in the region is in Saudi Arabia.

President Ali Khamenei of Iran warned the United States on Sunday to stay out of the Gulf, the official Iranian news agency reported.

"If the United States takes part in the adventurous games" in the Gulf, "it will receive a slap far harder than the one it got in Lebanon," the agency quoted Mr. Khamenei as saying.

An Iranian newspaper, the English-language *Kayhan Daily*, said Monday that if the United States intervened in the conflict, "the only thing that Ronald Reagan would be able to offer the voters would be the corpses of American soldiers."

Kayhan also suggested blocking the Strait of Hormuz to blockade Iraq's Gulf allies.

"When our planes can easily overfly Kuwaiti installations without encountering any obstacles, why should we be patient and watch the hostile cooperation between Baghdad and Kuwait? At this sensitive juncture, the only thing the Iranians expect from their leaders is to show their determination in stopping the hostile acts of the neighbors," it said.

A Beirut newspaper quoted Kuwait's foreign minister, Sheikh Sabah al-Ahmed al-Sabah, as saying that Gulf nations would have no right to object if the West intervened to safeguard oil routes.

"I have no right to object because the Gulf is not a Kuwaiti, Qatari, Omani, or even Arab property. It is an international Gulf," Sheikh Sabah said in an interview with the independent *Al-Nahar* newspaper.

"The Gulf is a vital artery for European and Asian nations, one of which is Japan. Their intervention in regional waters is of no interest to me. But I do not accept the establishment of military bases for them in my country," he said.

In Brussels, Saudi Arabia's oil minister, Ahmed Zaki Yamani, said that his country and its Gulf Arab neighbors would defend themselves if Iran attacks their territories or their tankers. "If we see Iranian planes approaching our territory or trying to attack our tankers, we will defend ourselves," he said.

The Arab League resolution condemning Iran was approved in Tunis despite opposition from Syria and Libya. Iran's only Arab allies in its 44-month war with Iraq. It did not mention attacks against Iran's Kharg Island for which Iraq, a League member, has claimed responsibility.

The resolution noted the Arab League's "extreme concern over the Iranian aggression against Saudi and Kuwaiti oil tankers in the territorial waters and maritime routes of the Gulf nations."

(AP, Reuters)

W. German Metal Strike Grows, Causing Division

By Warren Getler

International Herald Tribune

RUSSELSHEIM, West Germany — On any other Monday morning, Jürgen Schilling and his friends would have been at work at the Opel car factory here in this industrial town just south of Frankfurt.

But this Monday was different. For the first time in 33 years, the giant car plant was closed down by a general strike, leaving about 32,000 workers idle.

As the nationwide metalworkers' conflict over the reduction of the workweek to 35 hours entered its second week, the number of workers on strike or laid off by strike-related shortages of parts began to balloon. The industry was expected to come to a standstill within days.

According to the Federal Labor Ministry, three west German people either on strike or laid off in the strike zones declared by the IG Metall union around Frankfurt and Stuttgart. An additional 200,000 workers went out of work outside those strike zones.

Workers outside the zones do not receive strike pay from the metalworkers union, and will not receive federal unemployment benefits.

[Union leaders and metal industry employers agreed Monday to hold top-level talks in a move

to end the strike. Reuters reported from Bonn. A spokesman for the employers' federation said the venue of the talks was being kept secret.]

Assembly lines at Daimler-Benz, BMW and Audi have already stopped work, and dwindling parts supplies will force Volkswagen, Porsche and Opel's two other West German plants to close this week, the companies said. Ford Motor Co. may have to close its plants in West Germany and Belgium next week.

As Jürgen Schilling and his friend Kurt, who did not wish to be identified further, sat in the Olympia beer pub, watching hundreds of pickets gather in the rain outside company gates, they argued about the strike and the union's goal of creating jobs by adopting a 35-hour workweek with no loss of pay.

"I don't see any sense in this," Kurt said, rubbing his hands with gloom. "Foreign competition is rubbing its hands with glee," said Mr. Schilling, who, at 30, is a 10-year veteran of the plant.

"France is not going anywhere with its shortened 39-hour workweek, so why should we expect a 35-hour workweek to bring us anything other than more unemployment?" he asked.

But Kurt said the strike was necessary because "200,000 to 300,000 job slots are being lost to computers and robots." He said the union must show its strength



Striking workers at a rally outside the Opel car plant in Russelsheim, West Germany.

against the "automation campaign being waged by industry." Others at the table nodded in agreement.

The union has contended that a shorter workweek would force employers to create new jobs, offsetting those lost to automation. As the strike began its second

week, its toll became more apparent both on the auto industry and on the metalworkers.

Division has surfaced in the union rank and file as some workers challenge the realism of seeking a 35-hour workweek and others, outside the strike zones, face extended layoffs without pay. The

employers' association, meanwhile, appears to be eager to come to a quick solution before the industry experiences irreparable damage to its international market share.

Never has a strike idled such a

(Continued on Page 2, Col. 7)

Mauroy Revives Debate In France on Workweek

By Axel Krause

International Herald Tribune

PARIS — Prime Minister Pierre Mauroy has touched off a heated political debate in France by renewing his proposal to establish a 35-hour workweek in business and industry, which he said could help reduce growing unemployment.

Addressing a Socialist Party rally near Lille on Sunday, Mr. Mauroy urged national unions to make the 35-hour week their "major demand" in future collective bargaining with management in every sector of French industry, and he suggested the movement be extended "throughout all of Europe."

Strikes in West Germany in favor of a 35-hour week "warrant reflection," Mr. Mauroy said, adding, "As everyone knows, I believe that reducing working time is an important element in the fight against unemployment."

Government sources said Monday evening that they viewed Mr. Mauroy's proposal as his own initiative which did not represent a government consensus. Finance Minister Jacques Delors, who is known to favor a reduction in working time on a selective basis, refused to comment on Mr. Mauroy's statement on Monday. Primarily because of the government's commitment to an austerity policy and reducing industry costs, the proposal is expected to be the subject of "lively discussion" at a meeting of cabinet ministers on Friday, the sources said.

Sources close to Mr. Mauroy said the government was still in a preliminary phase of developing its proposals. Friday's meeting, presided by Mr. Mauroy, will include Mr. Delors, Pierre Bérégovoy, the social affairs minister, and Laurent Fabius, industry minister.

"The idea is not to impose a law on the country, which is what happened in 1981, but to move toward the 35-hour week on a selective, decentralized basis, using collective bargaining between unions and management," an adviser to the prime minister said. "But Mr. Mauroy is also very determined that there be action — this was the sense of his speech Sunday."

The reference was to a 1981 law establishing a 39-hour week in France, voted by the Socialist-dominated National Assembly, and which Mr. Mauroy and the French Democratic Labor Confederation, among others, subsequently

ly have sought to reduce to 35 hours, but in a low-keyed manner.

"Now, we are entering into a new, major debate on the issue," said an official of the French National Employers' Confederation. Some members of the group plan a public relations campaign to weaken and, if possible, defeat support for the government's proposal, particularly if it leads to an imposition of reduced working hours through new legislation.

"Mr. Mauroy's statement that this will all be negotiated has some of us very suspicious and we will definitely resist any attempt to impose the 35-hour week, which would be a catastrophe for us and the French economy," said an executive of a leading, private industrial company, who asked that he not be identified.

Officials of the Communist-led General Confederation of Labor (CGT) also expressed support for the government's renewed initiative, but emphasized that protecting workers' purchasing power was equally important to its members. The CGT has actively supported the strike and demands of West German union leaders for the 35-hour week.

Philippine Panel Begins Hearings On Voting Fraud

The Associated Press

MANILA — The Commission on Elections opened hearings Monday on charges by candidates of widespread voting fraud as supporters of President Ferdinand E. Marcos kept a comfortable lead over opponents in the battle for 183 National Assembly seats.

One of the 53 formal complaints filed so far seeks the annulment of allegedly fake returns favoring the ruling party of Mr. Marcos, the New Society Movement, in Cebu province, where a youth was killed Saturday in a riot over charges of government cheating.

On Negros Island, about 3,000 residents massed at the Bacolod town plaza to protest alleged vote buying and ballot tampering by the government party.

So far, election officials have proclaimed 72 government candidates and 50 opposition candidates as winners.

(AP, Reuters)

U.S. Officials Tilted With the Rumor Mill to Save Continental

The following article is based on reporting by Peter T. Kilborn, Winston Williams and Robert A. Bennett and was written by Mr. Kilborn.

New York Times Service

WASHINGTON — At dawn last Thursday William M. Isaac was roused from his hotel bed by a telephone call. After a roller-coaster week of desperate rescue efforts, the fate of Continental Illinois bank was still hanging in the balance. At 4 A.M. the lawyers were at loggerheads.

"I heard the thing was breaking apart," said Mr. Isaac, chairman of the Federal Deposit Insurance Corp. He rejoined his lawyers and the bankers' lawyers, who were wrangling over the final terms of the largest bailout effort in banking history, the rescue of Continental Illinois National Bank & Trust Co.

The negotiations early that morning proved the final stretch of a week-long race

to save Continental and thereby sustain confidence in the U.S. banking system.

The week had begun with wire service reports warning of Continental's imminent demise. The rumors, untrue at the time, came within a hair of becoming self-fulfilling, as Continental, bank regulators and other bankers struggled with the near-impossibility of restoring lost confidence. It was ended

FDIC says it has received four bids for Continental Illinois. Page 9.

only by the Federal Reserve System's pledging its limitless credit behind the beleaguered bank.

Continental, the eighth-biggest bank in the United States, was finding it next to impossible to hold or replace deposits from large companies and financial institutions at home, in Europe and in Asia.

Although such deposits typically come in

tens and hundreds of millions of dollars, they are insured by the government only up to \$100,000 for each account. Fearing that the bank might fail, some large depositors took flight. Meanwhile, to lure new deposits, Continental had to pay punishing interest rates, well above those offered by the world's other big banks.

By the time it was over, government regulators and the U.S.'s biggest bankers, moving swiftly, had put together a rescue plan that they people who normally shun hyperbole — call it "historic" and "unprecedented."

The federal government had shown just how far it would go to protect the banking system's integrity. "All depositors and other general creditors of the bank will be fully protected," the regulators promised. Crucially, "all" depositors included those with deposits exceeding \$100,000.

Those open-ended assurances meant that the cost of aiding Continental could far exceed the \$7.5 billion in loans, itself an

amount without precedent, that the banks and regulators had promised.

The account that follows is based on interviews with bankers, government regulators and other people familiar with details of Continental's crisis.

The morning of Monday, May 7, was hardly any different at Continental from the beginning of any other week. There were the usual minor fires to be doused. These had become commonplace since the failure of Oklahoma City's Penn Square Bank two years ago.

But on the bank's fifth floor, where the treasury and bond departments are situated, there was a much more serious problem. David J. Taylor, Continental's chairman, was pondering what looked like a vote of no confidence in his stewardship by a handful of foreign banks.

Banks in West Germany, Switzerland, the

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High-Tech Smuggling Risks Are Slight

New Class of Broker Handles Sensitive Trade to East

Second in a three-part series

By Joseph Fitchett

International Herald Tribune

PARIS — "It's not against the law to ship U.S. technology to West Germany, and it's not against German law for a company that wants to ship it to Switzerland, and there are no Swiss laws against shipping goods to the Soviet Union."

This comment, made by a West German businessman who sells Western technology that often ends up in new Soviet weapons, goes to the heart of a problem that has steadily preoccupied the Reagan administration. Frustrated traditional police agencies, alarmed business groups and emerged as a new contentious issue between America and its allies.

Although the sale of sensitive technology directly to the Soviet Union is a felony in the United States, the same technology often can be sold from Europe and Asia by middlemen, who usually risk only charges for tax evasion or currency violations.

The government has spawned an underground network of brokers who specialize in funneling U.S. civilian technology to Soviet interests. "It's

like the narcotics business, at least for the top guys, who enjoy big profits and take small chances," said a U.S. Customs agent.

European and Asian intermediaries, he said, can expect a 300-percent markup on high-technology items that come from the United States through front companies.

A skilled broker in this traffic is Richard Mueller, 42, a businessman born in Berlin, who U.S. officials say masterminded an ambitious attempt to divert American-made computers in November. U.S. officials have been unusually open in discussing Mr. Mueller, apparently to make the public familiar with this form of business-related crime.

Selling civilian technology with military uses, or dual-use technology, to the Soviet Union is lucrative business, and many European businessmen say that U.S. concerns about it is largely that of commercial jealousy. But the leakage of militarily useful technology is a real threat, says Defense Secretary Caspar W. Weinberger. He calls it "a massive hemorrhage threatening national security."

The Mueller organization, for

example, assembled a high-powered computer-aided factory in South Africa for making advanced microchips, then sent the system by air and sea to the Soviet Union via Western Europe, U.S. officials say.

Some of the Mueller shipment was intercepted, but there are indications that the biggest part — much more than U.S. officials will admit publicly — slipped through to the Soviet Union. It is thought that this shipment is plugging major gaps in Soviet military electronics.

U.S. investigators found that Mr. Mueller left the United States in 1976, soon after he was identified by U.S. agents as a major smuggler of the high-technology equipment emerging from California's Silicon Valley and revolutionizing both civilian and military electronics. U.S. agents were just beginning to recognize the strategic implications of this technology and cracking down on technology diversions from the United States.

In Europe, Mr. Mueller, traveling on a Swiss passport, returned to his native West Germany, which, like most European countries, refuses to extradite its citizens for U.S. customs offenses. West Ger-

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To Our Readers

Some financial tables are missing from today's H.T. because of a computer failure at the Associated Press in New York. We regret the inconvenience and at the same time express gratitude to United Press International for making available the tables that appear on pages 10-14.

Pentagon Accumulates Backlog of Unspent Funds

Money Approved by Congress, But Not Yet Spent, Surpasses \$128 Billion

By Wayne Biddle

New York Times Service

WASHINGTON — Because of the Reagan administration's vast military buildup, the Defense Department has accumulated the largest backlog of unspent funds since the Vietnam War era, creating management and budget problems for the Pentagon and Congress.

According to official government figures for 1981 through 1983, the backlog of money approved by Congress and signed into contracts, yet not paid out by the Pentagon, increased by 89 percent, to more than \$128 billion from \$68 billion. Over the same period, the backlog of unspent funds awaiting selection of a contractor rose by 79 percent, to \$43 billion from \$24 billion.

Measured in 1984 dollars, total unspent military funding has increased 102 percent since 1974, and 67 percent since 1980. For all other federal agencies, unspent funding has decreased by 22 percent since 1980.

In a recent example of backlogs in military spending, Congress authorized \$2.1 billion last year to begin building 21 MX missiles in

the current fiscal year, but the Pentagon has obligated only \$450 million so far.

The main reason for the Pentagon backlogs is that major weapons systems can take a number of years to build after funds are approved. Congress might appropriate funds for a multibillion-dollar project in one fiscal year, but the funds are disbursed in future years as the work proceeds.

Until they are paid out, the funds exist only in a bookkeeping sense, adding to the government's projections of how much money it must acquire through taxes or borrowing.

A congressional source said that because unspent funds do not actually exist "like money in a pot," but must, nonetheless, be paid out at some future time, they contribute to tightness in the credit market and to the federal deficit.

The backlogs, largely unnoticed in public debate about President Ronald Reagan's buildup, could undermine Congress's ability to control military spending for the rest of the decade, experts say. Some analysts say, moreover, that the rapid accumulation is making it difficult for Pentagon managers to

scrutinize how the money is paid out.

"Even if Congress held the defense budget to zero real outlays from now on, there would still be sizable growth in outlays," said Richard A. Stubbins, assistant provost of Duke University, who, until 1981, was deputy chief for national security in the Office of Management and Budget.

In a report released recently by the Brookings Institution, a Democratic-oriented research organization in Washington, William W. Kaufmann, a professor of political science at the Massachusetts Institute of Technology, said, "These backlogs will create major wedges of expenditure in the future and will make substantially more difficult any future effort to control the growth of the defense budget in an orderly way."

He said that even if Congress held the 1985 military budget to about \$290 billion, versus the president's request of \$305 billion, expenditures from the backlog would amount to more than \$110 billion by 1986.

"As such it will mean that at least 36 percent of defense outlays

will be committed and uncontrollable even before Congress takes action on the budget for that year," said Mr. Kaufmann, who was an adviser to secretaries of defense in Republican and Democratic administrations in the 1970s.

Mr. Kaufmann said that the only way Congress could control unspent funding would be by rescinding it, which in his memory has been done only once, to cancel an aircraft carrier at former President Jimmy Carter's urging.

Asked about the effect of the unspent money on Pentagon budget management, a senior military official said that there had been concern over whether enough qualified people were available in military procurement departments to "guarantee the best deal for the taxpayer." But he said that he did not believe this "constituted a situation ripe for mismanagement."

Analysts inside and outside the government agree that the growth in unspent money has been fueled by the president's rapid buildup in weapon buying. The weapon backlog rose from about \$84 billion in 1982 to an estimated \$140 billion this year.

Soviet Said to Rebuff Genscher Call for Talks

By William Drozdiak
Washington Post Service

MOSCOW — Foreign Minister Andrei A. Gromyko on Monday spurned a West German appeal to resume nuclear arms negotiations with the United States, insisting that all Pershing-2 and cruise missiles must first be removed from Western Europe.

In his sixth meeting in the past 12 months with the West German foreign minister, Hans-Dietrich Genscher, Mr. Gromyko repeatedly attacked the United States, accusing its leadership of pursuing a course of confrontation while trying to end military parity between East and West.

On other issues, Mr. Genscher urged the Soviet Union to provide greater cooperation on human rights. But he refrained from a direct appeal for the release of Andrei D. Sakharov, the dissident physicist and Nobel Peace Prize winner, and called instead for sympathy for "unknown as well as well-known" victims of persecutions.

West German officials said Mr. Genscher wanted to take a cautious approach because of the sensitivity

of Bonn's demands for the release of about 100,000 Soviet citizens of German origin who are reportedly seeking to emigrate to the West.

During three hours of talks in the Kremlin, Mr. Gromyko told Mr. Genscher that Washington must bear the blame for the poor state of East-West relations.

The vehemence of Mr. Gromyko's criticism took West German officials by surprise. They said Mr. Genscher felt compelled to insert a phrase later into his luncheon address rejecting "these unjust and undeserved reproaches in our American friends."

During a recent trip to Washington, Mr. Genscher hoped to gain a firm U.S. endorsement of negotiations to ban space weaponry but he came away only with a mild commitment to engage in talks with Moscow on the subject, West German officials said.

Mr. Genscher emphasized that his country wished to see an enhanced dialogue with the Soviet Union on a range of issues but that a priority remains an early return to Geneva talks on medium-range and strategic nuclear weapons.



Hans-Dietrich Genscher

In his own, unusually harsh, speech, Mr. Gromyko declared that the failure of the Geneva talks "was programmed in advance because the United States only wanted to put its missiles in Europe."

Warning that the Western deployments "will go down as a black page in the chronicle of the 1980s," Mr. Gromyko contended that the European countries that "opened the doors to these new American weapons are increasingly questioning whether it was a grave political and military miscalculation."

UNESCO Board Divided on Reforms To Improve Performance and Image

By Henry Tanner
International Herald Tribune

PARIS — Sharply divergent views on what kind of reforms are needed to improve UNESCO's performance and image have emerged in discussions by the organization's executive board.

During the nearly two weeks since the start of the board's session, there has been virtually unanimous agreement that major reforms are urgently needed.

The delegates are expected to accept a British and French proposal to create a working group of members from different regions that would have a mandate to work out a program for reform and submit it to the board's session in September.

But negotiations for the terms of reference for the group may yet split the board.

During the debate it has become clear that the majority of developing and Third World countries as well as the Soviet Union are intent on limiting reform to such things as practical procedures involving the budget and personnel problems.

These countries want to leave the basic orientation of the United Nations Educational, Scientific and Cultural Organization unchanged.

By contrast, Western countries, led by Britain, have called for a far-reaching reorientation of UNESCO.

These delegates want to curtail programs involving controversial ideological and political concepts and have urged a shift of resources from theory to action. They argue that many of these programs should be in the form of assistance to developing nations.

The division has become apparent during two days of debate, on Saturday and Monday, on a British working paper in which the British government said it intends to remain in UNESCO "for the time being" but insists on drastic reforms.

Britain specifically wants to reduce the priorities of programs involving theoretical studies on the future of mankind; studies on communications and media questions; the elaboration of new concepts such as collective human rights as distinct from individual human rights; and studies of the issues of peace and disarmament in the context of education and science.

The British paper also calls for reforms of budgeting procedures and personnel policies, improved machinery to monitor the implementation of programs and other management issues.

The British proposals concerning UNESCO's basic political orientation were supported only by West Germany and relatively few other countries.

Most of the other speakers cautioned against tampering with the organization's basic orientation but said that they shared the British desire for improvement of procedures on a wide range of management problems.

The Soviet delegate, Yakov Ostrovski, countered the British proposal by saying in effect that if the Western powers wanted to exclude

all ideological questions, UNESCO would no longer be able to deal with human rights, because it was obvious that this was a field where two different ideologies confronted each other.

Mr. Ostrovski said he did not want to discuss which of these two ideological concepts provided better guarantees of human rights but simply wanted to say that such discussions should not be "excised" from UNESCO.

His statement was regarded as a veiled hint that if "political" issues were struck from the list of UNESCO's activities, the Soviet Union might ask for and to the work of the organization's human rights committee, the Committee on Conventions and Recommendations.

The committee, which consists of 25 members of the executive board, was formed to take up cases of human rights violations affecting people working in education, science and culture in various countries. It acts at the request of individuals. The committee makes private appeals to governments but avoids all publicity.

The committee is known to have approached the Soviet government in the past on behalf of Andrei D. Sakharov, the Soviet dissident. Mr. Sakharov's case has not been mentioned in the debate here but could be brought up before the board adjourns on Thursday.

Median Age in U.S. Is the Highest Ever

The Associated Press

WASHINGTON — The nation's median age has reached its highest point ever, climbing to 30.6 years as of 1982, the Census Bureau reported in a new population profile.

The median age — meaning half the people are younger and half older — had peaked at 30.3 years in 1972, then was lowered by the arrival of the postwar Baby Boom generation.

Many and Sweden. U.S. officials say that MRI sold the shipment to Optronix Ltd., a Capetown freight-forwarder controlled by Dr. Mueller through Sem Invest. Optronix promptly sold the goods to a Mueller-owned Swiss company, which then sold them to Deutsch Integrated Time, another Mueller-controlled company.

The whole shipment was consigned in care of a Swedish freight-forwarding company belonging to a Mueller associate, Olof Sven Hakanson.

Mr. Hakanson was outwardly a respectable businessman with an engineering background; in Sweden, he was believed to be a state-owned major electronics firm. An Asa spokesman denied that Mr. Hakanson was ever employed by the firm, but acknowledged that an Asa employee is suspected of working with Mr. Mueller.

Mr. Hakanson, an outspoken critic of U.S. attempts to regulate European exports of U.S. technology, has been implicated, U.S. officials said, in technology cases starting in the early 1960s. Three years ago, he was an intermediary in a sale of computerized U.S. technology by Mr. Mueller's Techmed company.

Charges were never brought because the goods mysteriously disappeared from a Swedish warehouse, but Mr. Hakanson later told an interviewer that Mr. Mueller had laughingly confided to him that the goods had reached the East bloc.

The Mueller shipment, Mr. Hakanson claims, was intended for the European Computer Center, described as Sweden's first microchip design and manufacturing firm, which consisted of a warehouse by Mr. Hakanson in a suburb north of Stockholm.

The company sounded commercially plausible, particularly since Mr. Hakanson said he would gladly accept Soviet orders. But Mr. Hakanson did not bother to arrange air-conditioning for the warehouse. He refused technical assistance from the local Digital engineers.

U.S. officials claim the equipment was being re-exported to the Soviet Union, probably across Sweden by road to Stockholm, by ferry to Helsinki and then by train to Leningrad.

Mr. Hakanson was put on the U.S. denial list last January, then jailed in Sweden, along with wife, for tax evasion and currency violations connected with Mueller payments in Switzerland.

Meanwhile, Mr. Mueller himself remains elusive: he visited Sweden briefly, then dropped out of sight when his shipment was seized in Hamburg.

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WORLD BRIEFS

Military Candidate Wins Panama Vote

PANAMA CITY (UPI) — A three-judge tribunal has officially declared the military-backed candidate, Nicolas Ardito Barletta, winner of Panama's presidential elections. Mr. Barletta will begin a five-year term Oct. 11, ending 16 years of military rule.

Final results released Sunday, two weeks after the May 6 election, showed that Mr. Barletta had 1,713 votes more than former President Arnulfo Arias Madrid, the narrowest margin in the country's history. The tribunal said Mr. Barletta's National Democratic Union coalition had 300,748 votes to 299,035 for Mr. Arias's Democratic Opposition Alliance.

Supporters of Mr. Arias, 82, immediately rejected the result as fraudulent and said that they would protest in daily street demonstrations. Mr. Arias was twice deposed by the military and once by his cabinet.

Craxi Wins 2d Vote on Wages Bill

ROME (Reuters) — The Socialist-led Italian government won its second vote of confidence in three days Monday but still faced Communist opposition in parliament over a decree to limit automatic cost-of-living pay raises for 20 million industrial workers.

The Chamber of Deputies voted 318 to 158 for the confidence motion, which followed a similar endorsement of Prime Minister Bettino Craxi's coalition government last Friday.

But the wage indexation measure still has to pass several secret ballots in the chamber before it is converted into law, a procedure which political sources said had stymied an earlier government led by Christian Democrats in 1980.

Pertini Meets With Pope at Vatican

VATICAN CITY (Combined Dispatches) — President Sandro Pertini met with Pope John Paul II on Monday as part of the first formal exchange of visits between an Italian president and a pontiff in 18 years.

The Socialist head of state, who has a warm friendship with the Polish Pope, was greeted by Vatican officials and Swiss Guards when he arrived. "Your Holiness, I think I express the exact sentiments of all Italians if I add an expression of our profound solidarity for you a glorious homeland, Poland, which is united to my country through a centuries old destiny of struggle and suffering for national freedom," Mr. Pertini said.

John Paul recalled how Mr. Pertini, 87, visited him in the hospital after the May 1981 assassination attempt, saying the Italian president stayed at the pontiff's bedside showing "brotherly worry for my life in danger." The arrival and greetings were carried on Italian television. (AP, UPI)

Belgium Arrests 2 as Soviet Agents

BRUSSELS (Reuters) — Belgium announced Monday that two Soviet agents were arrested over the weekend while trying to obtain classified NATO documents.

A statement by the office of Justice Minister Jean Gol said the two men had been handed over by Belgian security police to the government for immediate expulsion. The government was also considering the situation of a Soviet diplomat, the statement added without elaboration.

Justice Ministry officials said the two agents did not have diplomatic immunity, but they did hold a "protected status" which meant they could not be prosecuted in Belgium. The statement said: "Certain espionage activities emanating from the Soviet special services were terminated at the weekend. Soviet agents were trying to obtain highly classified documents of the Atlantic alliance."

Shamir Denounces Jewish Terrorists

JERUSALEM (NYT) — Prime Minister Yitzhak Shamir issued a strong denunciation in the Knesset Monday of the Jewish settlers who have reportedly confessed to acts of terrorism against West Bank Arabs.

Mr. Shamir said that the crimes were damaging to the state's interests and to the movement to build Jewish settlements on the occupied West Bank. "They will be brought to trial and will bear the consequences of their actions," he said. "But the splendid enterprise of Zionist Jewish settlement of the various parts of the land of Israel will continue, with the support and full encouragement of the government."

Since April 27, when bombs were found on five Arab-owned buses in Jerusalem, Israeli security agents have arrested 26 Jews, most of them settlers from the West Bank and the Golan Heights. According to leaks from officials to Israeli reporters, some of the detainees have confessed to several acts of terrorism. "Besides the heavy loss of life," Mr. Shamir said, "the human deeds which were prevented could have caused terrible damage to the state of Israel, its political struggles, its standing and its security."

S. African Calls Quick Pullout Possible
LUSAKA, Zambia (Reuters) — South African troops have pulled back to "the last point before the border" and could complete their withdrawal from southern Angola within days, Foreign Minister R.F. Botha of South Africa said Monday.

"There are some obstacles, but they are not insurmountable," he said at Lusaka airport.

Under a deal made in February, the two countries are jointly monitoring the withdrawal of South African troops who had been attacking the rear bases and supply lines in Angola of black nationalist guerrillas fighting in neighboring South-West Africa, also known as Namibia.

For the Record

Leaders of Britain's National Union of Seamen have decided to urge their members to approve a 48-hour strike that would stop cross-Channel traffic to protest plans to turn state-owned ferries over to private companies, union officials said Monday. No date has been fixed for the stoppage. (Reuters)

An Israeli military court sentenced four Palestinians to life imprisonment Monday for the murder of a Jewish religious student in Hebron, in the occupied West Bank, last July. (Reuters)

President Ronald Reagan will hold a news conference at 8 P.M. on Tuesday, the White House said Monday. (AP)

Angola's pro-Western guerrilla movement, the National Union for the Total Independence of Angola, said Monday its forces had killed or captured almost 450 soldiers, including 45 Cubans, and downed four military aircraft in counterattacks against a six-week-old government offensive in the eastern part of the country. (UPI)

West German Metal Strike Spreads, Affecting 350,000

(Continued from Page 1)
large sector of West Germany's economy in so short a time.

The union's "mini-mass" strategy, which is designed to create the greatest damage to the industry at the least cost to the union's strike fund, scored a direct hit last week by targeting the heart of a tight network of auto-parts suppliers around Stuttgart.

But by crippling auto plants owned by BMW, Daimler-Benz and Audi in outlying regions, the union has become a victim of its own success. Many of the workers in those regions who will not receive strike compensation have threatened to abandon the union.

The union, which has 2.6 million members, cannot easily back down from its call for a 35-hour workweek. It has made the issue its central demand with industry.

"If we didn't believe in the benefits of a 35-hour workweek, we wouldn't be standing here in the rain risking the loss of about 1,000 Deutsche marks in pay," a worker said outside the Opel plant.

The union is paying about 300 Deutsche marks (\$108) a week to each of the approximately 150,000 workers who are on strike or laid off in the strike zones. The total payout could rise swiftly as the strike continues.

The metal industry is losing more than 150 million Deutsche marks worth of production a day according to an industry spokesman, and that figure is certain to increase.

Opel officials said Monday that the Opel plants at Kaiserslautern with 6,700 workers, and Bochum with 18,000 workers, would close in the next few days.

Labor strife on this scale came at a particularly bad time for the auto industry, which in April posted a 7-percent increase in export over the April 1983 figures, and which is undergoing extensive modernization to remain competitive. Opel, a General Motors Corp. subsidiary, increased sales by 2 percent in 1983 over 1982. Earlier this year it announced plans to invest \$2.6 billion to modernize its plants.

The employers association known as Gesamtmetall, is finding it hard to back down from its refusal to shorten the workweek. While some auto companies may be able to shorten the labor week through automation, others lack the capital to make that switch.

Potentially the largest victim of the strike is the federal budget. North Rhine, which lost about 30 million Deutsche marks in revenue this week due to the layoffs and work stoppages.

Talks on TV Rights for '88 Games Are Suspended

By Kenneth Reich
Los Angeles Times Service

ZURICH — International Olympic Committee officials said that negotiations for the sale of television rights for the summer Olympics planned for Seoul in 1988 have been suspended until after the Los Angeles Games and they hint that under some circumstances the 1988 Games might be moved.

The most direct suggestion of this possibility came Sunday from an IOC vice president, Ashvini Kumar of India, who said that prospects of lucrative television contracts for the Seoul Games have lessened since the Soviet boycott of the Los Angeles Games was announced May 8. He also referred to a report from Singapore that a visiting Soviet official had said the Soviet Union, which has no diplomatic relations with South Korea, might also refuse to attend the Seoul Games.

Under these circumstances, the IOC vice president said, perhaps either Seoul will voluntarily give up the Games or the IOC may move them to a more neutral site.

Asked whether she felt the Seoul Games were in jeopardy, the IOC executive director, Monique Berlioux, replied that they were "not in jeopardy," adding, "for the time being." She insisted that the suspension of the television rights negotiations for Seoul had predated the Soviet Union's May 8 boycott decision, but did not say by how much.

IOC board members indicated that the suspension was quite recent and was directly linked to the uncertainty about the Seoul Games and the future of the Olympic movement as the result of Soviet opposition to both the Los Angeles and Seoul sites.

Before the Sarajevo Winter Games this year, a U.S. television network, ABC, signed a contract purchasing the right to show the 1988 Calgary Winter Games in the United States for a record \$309 million. The IOC gets one-third of all television rights money.

At that time, there was speculation that the Seoul rights could go to an American network for as much as \$1 billion. By contrast, ABC's contract to show the Los Angeles Games, signed in 1979, was for \$225 million.

Juan Antonio Samaranch, the IOC president, had said in Sarajevo that he was eager to conclude the Seoul negotiations with U.S. networks prior to the Los Angeles Games.

■ Goodwill Document
A high U.S. sports official said American and Soviet Olympic officials have agreed in principle to try to remove the "dark cloud" of politics hanging over the future of the international games. The Associated Press reported from Washington.

Many and Sweden. U.S. officials say that MRI sold the shipment to Optronix Ltd., a Capetown freight-forwarder controlled by Dr. Mueller through Sem Invest. Optronix promptly sold the goods to a Mueller-owned Swiss company, which then sold them to Deutsch Integrated Time, another Mueller-controlled company.

The whole shipment was consigned in care of a Swedish freight-forwarding company belonging to a Mueller associate, Olof Sven Hakanson.

Mr. Hakanson was outwardly a respectable businessman with an engineering background; in Sweden, he was believed to be a state-owned major electronics firm. An Asa spokesman denied that Mr. Hakanson was ever employed by the firm, but acknowledged that an Asa employee is suspected of working with Mr. Mueller.

Mr. Hakanson, an outspoken critic of U.S. attempts to regulate European exports of U.S. technology, has been implicated, U.S. officials said, in technology cases starting in the early 1960s. Three years ago, he was an intermediary in a sale of computerized U.S. technology by Mr. Mueller's Techmed company.

Charges were never brought because the goods mysteriously disappeared from a Swedish warehouse, but Mr. Hakanson later told an interviewer that Mr. Mueller had laughingly confided to him that the goods had reached the East bloc.

The Mueller shipment, Mr. Hakanson claims, was intended for the European Computer Center, described as Sweden's first microchip design and manufacturing firm, which consisted of a warehouse by Mr. Hakanson in a suburb north of Stockholm.

The company sounded commercially plausible, particularly since Mr. Hakanson said he would gladly accept Soviet orders. But Mr. Hakanson did not bother to arrange air-conditioning for the warehouse. He refused technical assistance from the local Digital engineers.

U.S. officials claim the equipment was being re-exported to the Soviet Union, probably across Sweden by road to Stockholm, by ferry to Helsinki and then by train to Leningrad.

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Nast, first implicated with Mr. Mueller in U.S. technology-diversion cases in 1974. A Swedish associate, Olof Hakanson, has cooperated with Mr. Mueller in numerous diversions, customs officials say. Mr. Mueller occasionally does business, they say, with other Europeans who are known to be international "fences" for U.S. technology.

"The closer you look, the more you find the same people," Mr. Urbanski said.

These associates of Mr. Mueller are under arrest, but European convictions in such cases generally produce light sentences because there is no evidence of espionage.

"This breed of smuggler is smart; he never actually utters incriminating phrases," it is just understood," a customs agent says.

Mr. Mueller moved boldly in mid-1982 when he took over Gerland Heilmannswerke, a musical-organ manufacturer near Liebeck, between Hamburg and the nearby East German border. A legitimate company, Gerland was near bankruptcy when Mr. Mueller acquired a controlling share in it for 500,000 DM through his Swiss holding company, Dan Control.

Under Mr. Mueller's management, Gerland started buying computer equipment, especially products of Digital Equipment Corporation, whose VAX computers are widely used in the U.S. military.

Mr. Mueller used the services of a former Digital employee, Manfred Schroeder. Confirming the two men's association, a Digital spokesman said there was no evidence that Mr. Schroeder cooperated with Mr. Mueller while employed at Digital, but he acknowledged that Mr. Mueller seemed to have close familiarity with Digital procedures.

Ultimately, Mr. Mueller was aiming at Digital's tightly controlled "high end" VAX computer, which could enable Soviet Union to manufacture advanced microchips.

Meanwhile, Mr. Mueller was already using the Gerland company, German sources say, as a staging area and cover for Soviet-bound electronic exports, using the reputation of smugglers of high technology.

At Gerland, equipment would be repacked, misleadingly labeled and dispatched to other Mueller-controlled companies. Each time the equipment changed hands, the trail for any subsequent investigator would acquire a new twist and the contents' descriptions would become vaguer and sound more innocuous.

Another device, U.S. officials say, involved shipping goods from West Germany to West Berlin via Helmsdorf, starting point of the highway corridor to West Berlin across East German territory. "Somewhere along the way, the

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Mondale Sees Victory in 2 Votes in June

Poll Shows Him Level With Hart in California

By Milton Coleman

Washington Post Service

WASHINGTON — Walter F. Mondale has predicted that he will win the California and New Jersey Democratic primaries on June 3 and have the firm support of enough delegates to capture the party's presidential nomination by the time the Democratic National Convention opens July 16 in San Francisco.

Mr. Mondale's optimistic assessment Sunday on a U.S. television interview program, was his first public prediction of victory in the vital California primary, where he is running virtually even in polls with Senator Gary Hart, the Colorado Democrat, for the largest group of delegates to the convention.

But in his phrasing, Mr. Mondale repeated his reduced expectations in the overall battle for delegates. Less than two weeks ago, his top campaign strategists had forecast that Mr. Mondale would be able to lock up the nomination on June 3, the last day of primaries.

Mr. Mondale quickly distanced himself from that projection. He said he has 1,587 delegates to 949 for Senator Hart and 294 for the Rev. Jesse L. Jackson. An additional 334 are uncommitted; 1,967 are needed for nomination.

"I believe that I'm going to carry both New Jersey and California," Mr. Mondale said Sunday. "I think I'm going to do very well in the other June 5 primaries, and I believe I'll have the delegates I need by the time the convention convenes."

Mr. Mondale generally has been considered the slight favorite in New Jersey, but only last week did he pull even with Senator Hart in California.

On the same program, former Senator George S. McGovern of South Dakota, the party's nominee in 1972 and a candidate in this year's race until mid-March, praised the potential of a Mondale-Hart ticket.

"I'd love to see a Mondale-Hart ticket and I think it is doable," Mr. McGovern said. Mr. Mondale was noncommittal.

Senator Hart suggested Sunday that he would consider taking the Mr. Jackson as his running mate if Mr. Jackson would reasonably be expected to stand on Israel, pro-life of Israel, but in Charleston, South Carolina, Mr. Jackson said that it is premature to talk about modifying his views on the Middle East in exchange for a place on the ticket, United Press International reported.

"I would hope that after June 5 we would come together and look at the broad range of issues, including the long and short lists of presidential possibilities," Mr. Jackson said. "But right now we're very much competing in the marketplace to win the nomination."

Mr. Jackson, speaking at the Morehouse College commencement in Atlanta, said he "would find it especially difficult to support any candidate for president who did not support an adequate job-training initiative directed towards private-sector employment."

Mr. Jackson's demand was the latest he has set for his endorsement of the Democratic candidate. He previously has said he would not support a candidate who does not favor better enforcement of the Voting Rights Act, specifically elimination of the dual-primary system in the South.

Leaders Even in California

Robert Lindsey of The New York Times reported from Los Angeles:

Mr. Mondale and Senator Hart appear to be running virtually even in the polls for the last two weeks of California's Democratic primary election campaign.

According to Mervin D. Field, director of the influential California Poll, neither candidate so far appears to have aroused much enthusiasm among California voters.

In the latest California Poll, taken May 9 to 15 and published this week, Mr. Mondale was favored by 41 percent of the Democrats questioned, Senator Hart by 39 percent and Mr. Jackson by 13 percent.

This reflected an ostensible gain for Mr. Mondale, who trailed Senator Hart, 42 to 37, with 15 percent for Mr. Jackson, in a similar poll a month earlier.

But Mr. Field said that, given the usual margin error for such a poll, the two leaders were essentially running neck and neck.

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U.S. Shakes the Fence As Costa Rica Tries to Balance Its Neutrality

By Edward Cody

Washington Post Service

SAN JOSE, Costa Rica — Costa Rica's balancing act between formal neutrality and close association with the United States has grown increasingly precarious as the Reagan administration steps up pressure on Nicaragua.

A border clash on May 4, one of several in recent weeks, developed into what Costa Rican officials describe as yet another nudge from the United States to get involved in a U.S.-backed effort to topple the governing Sandinistas in Nicaragua.

At the same time, the event intensified local opposition to President Luis Alberto Monge's struggle to maintain an outwardly neutral course.

Costa Ricans have been arguing that the choices are between ambivalent diplomacy and confrontation with the Sandinistas and their steadily growing military power, between U.S. militarization and maintaining a 36-year tradition of doing without an army.

But some Costa Rican officials and foreign diplomats say the immediate question is whether Mr. Monge can continue relying on U.S. economic aid while keeping his distance from U.S. efforts to isolate Nicaragua diplomatically and surround it militarily.

"I think most of the Americans here, including members of the State Department, would like to see Costa Rica involved," said José Figueres, who, as president, abolished the army in 1948.

U.S. and Costa Rican officials privately conceded that the recent series of border clashes erupted because of tension over movements along the border by the anti-Sandinista guerrillas of Efraín Pastor Gómez, who are based on Costa Rican territory with the government's assent.

The skirmishes were more violent than previous ones and led to an outcry from conservative officials and businessmen in Costa Rica, who demanded a tougher stand from Mr. Monge against the Sandinistas.

At the same time, the government was alarmed by the demonstration of its inability to defend Costa Rican territory with a Civil Guard of 5,000 ill-equipped men.

Even Mr. Pastor's Revolutionary Democratic Alliance is better armed, government officials said.

Against that background, Mr. Monge's government urgently appealed to Washington for accelerated delivery of additional military aid. Equipment worth \$7.8 million already had been planned in a Reagan administration supplemental aid request for 1984.

But following the border incident, Costa Rica sought speedier acquisition and heavier weaponry, including grenade launchers and mortars, according to the public security minister, Angel Edmundo Solano.

The amounts remained too small — two dozen mortars, for instance — to transform the Civil Guard into anything resembling an army, he insisted. But the request, because of its political sensitivity, was kept quiet in Costa Rica.

In Washington, the news quickly emerged. Moreover, it was surrounded by revelations that some State Department officials saw the urgent appeal as an opportunity to dislodge Costa Rica from its formal neutrality.

This impression was heightened by the arrival of U.S.-supplied small patrol boats and jeeps. While that appeared to be a swift U.S. response to the border clashes, it was in fact a late delivery of aid agreed to last year.

U.S. officials were quoted at the same time in Washington as saying, mistakenly, that Costa Rica had agreed to joint maneuvers with U.S. troops. And in Honduras, U.S. officials assured Costa Rica that 1,500 U.S. soldiers could arrive within 18 hours if Nicaragua attacked.

The combined effect created an impression that Mr. Monge was sliding away from neutrality, Costa Rican officials said.

Some observers concluded that this was the goal of U.S. officials, making the announcement with an eye on a Congress reluctant to vote more aid for Central America.

Mr. Monge reportedly was disturbed at reports that reached Europe ahead of a planned visit there beginning Sunday that suggested that Costa Rica was about to abandon its neutral stance.

To counter the impression, his National Liberation Party staged a rally May 15 in which 10,000 people marched for peace and neutrality for Costa Rica.

And Foreign Minister Carlos José Guzmán agreed last week with his Nicaraguan counterpart, Miguel d'Escoto Brockmann, to form a joint commission to prevent further border incidents.

Alfonso Robelo, the political leader of Mr. Pastor's forces, predicted the accord would lead to more active patrolling of borders and increased pressure on the Nicaraguan rebels to keep Costa Rica out of its fight against the Sandinistas.

An accord last fall to form a similar commission, however, seemed to have little effect.

Beneath the neutrality proclamation and careful diplomacy lies an uneasy ambiguity. Mr. Monge's government, while declaring that it wants to stay out of the conflict, has permitted Mr. Pastor's organization to use Costa Rica as a base and haven.

And there is no question Costa Rica, heavily in debt, needs aid; Washington sent more than \$200 million in economic aid last year and seeks a similar amount this year. But U.S. officials contend that Mr. Monge lends his territory to Mr. Pastor's guerrillas only because he believes the Sandinistas will destabilize the region if they remain in power.

Botha Seeks to Improve South Africa's Image

(Continued from Page 1)

theories of military strategy. In 1976, the University of Stellenbosch gave him an honorary degree in military science.

He became prime minister fortuitously in 1978. A scandal in the information department destroyed Prime Minister John Vorster and his heir apparent, Information Minister Connie Mulder. The choice of successor fell on Mr. Botha, who was the longest-serving member of the cabinet.

It was not long before the new prime minister, who had ordered South Africa's rash invasion of Angola in 1975, began unexpectedly making some dovish gestures.

He was the first prime minister to visit the black township of Soweto, outside Johannesburg. He extended trade union rights to blacks.

"We must adapt or die" was his catchphrase. This caused large numbers of white South Africans who had tried to dissociate themselves from apartheid to turn to him. They want reform but are fearful of black rule, and Mr. Botha appeared to offer the magical combination of change with the tough maintenance of white control.

Isabel Perón Prepares to See Alfonsín

By Edward Cody

Washington Post Service

BUENOS AIRES — Former President Isabel Perón worked to reconcile rival factions of the Peronist party on Monday in preparation for talks with President Raúl Alfonsín.

Mrs. Perón, who arrived Sunday from Madrid for an expected two-week stay in her homeland, was to lead a 30-member Peronist delegation at talks in the Casa Rosada, the country's presidential palace, in the evening.

The 53-year-old widow of three-time President Juan Perón spent most of Sunday and Monday meeting with leaders of various Peronist factions at her hotel. Announcements of the list of party officials accompanying her in the talks indicated that she had succeeded, at least temporarily, in easing tensions between two important party groups.

The Peronist delegation will include members of the so-called Unity Commission, formed by right-wing Peronists fiercely loyal to the former president, as well as members of the rival National Peronist Council, elected last year in internal union voting which saw Mrs. Perón's supporters soundly defeated.

Excluded from the list were officials of the Peronist General Confederation of Labor, at loggerheads with Mr. Alfonsín over his administration's efforts to democratize the unions through government-supervised elections.

Mrs. Perón was president from the death of her husband in 1974 until 1976, when she was ousted in a military coup. Mr. Alfonsín's Dec. 10 inauguration ended more than seven years of rule by the military.

Mr. Alfonsín personally invited Mrs. Perón to return to Argentina and become involved in the talks. He is seeking opposition support for a program to counter a wide range of problems, including the nation's \$43.6-billion debt and labor unrest.

Mrs. Perón has lived in voluntary exile in Madrid since being released from house arrest by military authorities in 1981. Although titular head of the Peronist party, she has remained aloof from politics and was not involved in last October's general elections, in which Mr. Alfonsín's center-left Radical Civic Union handed the Peronists their first national election defeat in nearly 40 years.

Peronists beat drums to welcome Isabel Perón on her return to Buenos Aires.

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Peronists beat drums to welcome Isabel Perón on her return to Buenos Aires.

Duarte Rebukes Extreme Rightists

By Edward Cody

Washington Post Service

WASHINGTON — El Salvador's president-elect, José Napoleón Duarte, rebuked his country's extreme rightists on Monday, saying that they are trying to destroy democracy. He said he was confident that they would be politically isolated.

After meeting President Ronald Reagan, Mr. Duarte said that he was calling on both the extreme right and extreme left to help seek peace in El Salvador.

"There might be some extreme right people who don't understand that they are destroying the solution that the people want," Mr. Duarte said. "But I think they will be isolated by the majority of the people."

On Monday, a report released by Amnesty International, the London-based human rights group, charged that government officials had failed to halt widespread killings by security forces. Mr. Duarte said of the report: "The thing is not to look backward. The thing is to look forward and solve these problems."

The U.S. defense secretary, Caspar W. Weinberger, said at a meeting of Cuban-American leaders Monday that there were increasing signs that the Soviet Union is expanding its Central American presence.

He cited recent Soviet naval exercises in the Caribbean and Soviet-backed Cuban efforts to build a runway in Nicaragua that would accommodate any Soviet-built plane.

He said Soviet military aid to Cuba was about \$1 billion a year.

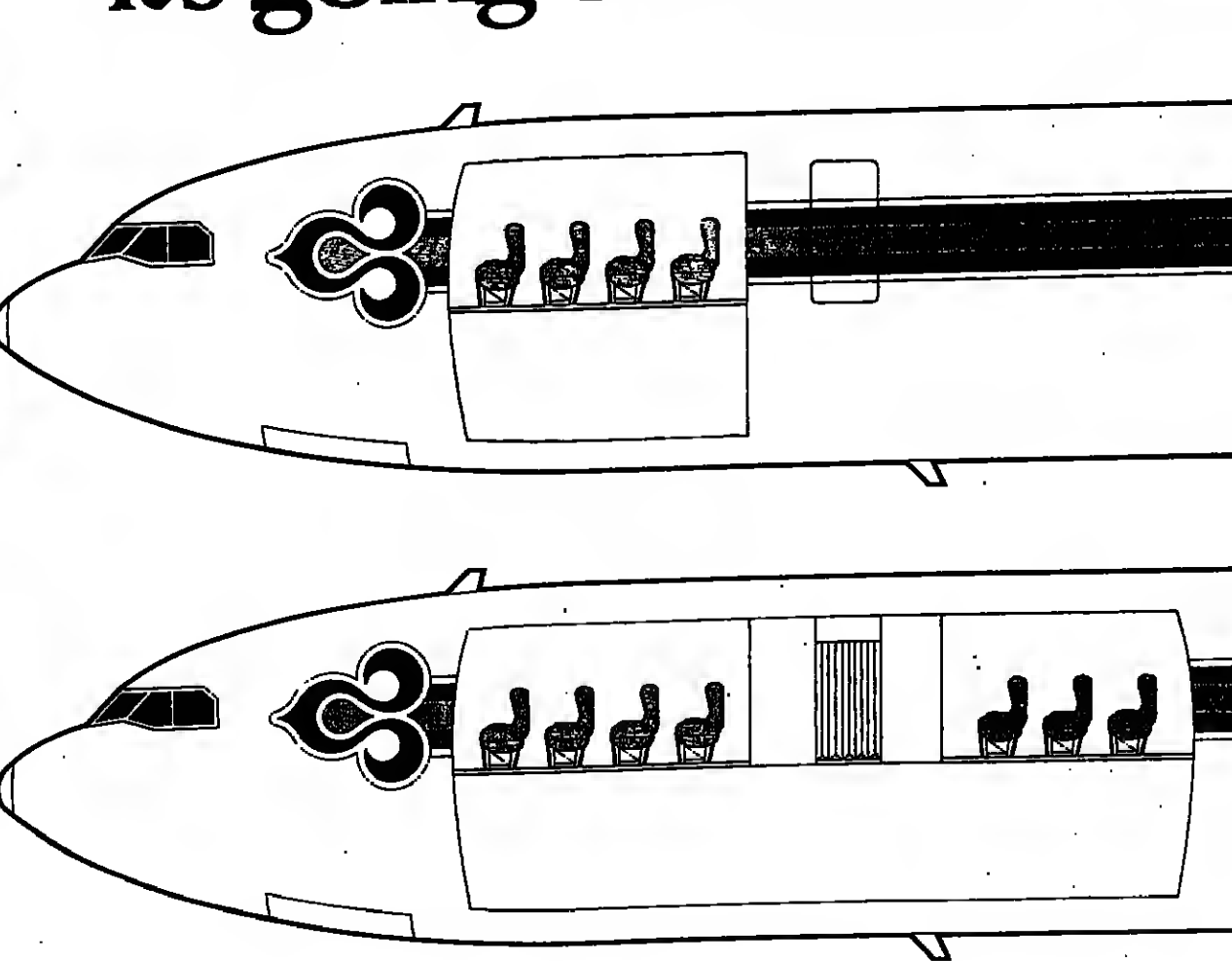
Reagan's request for more economic and military aid for El Salvador. In remarks Sunday and Monday, Mr. Duarte appeared to be trying to calm concern among some members of Congress that rightist and military groups would not allow him to carry out reforms, eliminate rightist death squads and seek a dialogue with guerrillas.


Mr. Duarte had said Sunday that he was confident the military had accepted democracy and was "willing to give power back to the people."

He said he had talked to all rightist economic groups and got their agreement "to discuss with us all the problems and continue in this social pact I have called for."

Mr. Duarte was planning to lobby U.S. congressmen on Tuesday to try to win their approval for Mr.

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Gandhi Visits Areas of Hindu-Moslem Violence

By William Claiborne
Washington Post Service

NEW DELHI — Prime Minister Indira Gandhi visited riot-torn areas of Bombay and its suburbs Monday and said that Hindu-Moslem violence that has claimed nearly 100 lives in the past five days was a "blot" on India's history.

In central Bombay, a crowd of thousands of people surrounded the prime minister's motorcade and shouted "Long live Mrs. Gandhi" and "We don't want curfew" as police using riot sticks struggled to

maintain control, according to Indian news agencies.

Mrs. Gandhi, stepping from her car, was heard to urge the residents to live in communal harmony, saying, "They are your neighbors."

Accompanied by the chief minister of Maharashtra state, Vasant Patil, and state governor, I.H. Latif, she also traveled by helicopter to the nearby textile mill towns of Bhiwandi and Thane, both of which are under nighttime curfew following Hindu-Moslem rioting that erupted Thursday.

Bhiwandi, an industrial suburb 30 miles (48 kilometers) north of Bombay, was the scene of similar rioting in May 1970, when more than 100 persons were killed. At least 79 have been killed in the latest outbreak. Police shot and killed five rioters in Bombay on Sunday. About 6,000 people have been evacuated from 1,200 burnt-out homes in the areas of the rioting.

The violence began Thursday during a Hindu general strike called after a Moslem member of the Maharashtra state assembly, F.M. Khan, draped a garland of

chappals or leather sandals, around a portrait of a prominent Hindu leader, Bal Thackeray, chief of the Shiv Sena, at a Moslem rally. The Shiv Sena is a fundamentalist group of followers of the Hindu deity, Shiva, and originally was organized to enforce a quota of Hindu workers in state jobs.

A garland of old chappals is regarded as an extreme insult, and the rally had been called to protest an earlier speech by Mr. Thackeray which Moslems said was offensive.

Communal tension was exacerbated when Moslems in Bhiwandi raised green flags of Islam and tried to tear down saffron flags of Hinduism, resulting in street clashes, arson and looting in a widespread area around Bombay. At least 52 persons, mostly Moslems, have been killed in Bhiwandi alone, including 27 who were massacred when a Hindu mob attacked a farmhouse with revolvers and swords and burned the mutilated victims, including women and children, after dousing them with kerosene.

Mrs. Gandhi visited the farmhouse Monday and listened as its owner broke down while describing details of the attack. Residents complained that police failed to respond to calls for help. Authorities said 10 police officers have been suspended pending an investigation.

A curfew was still in effect Monday night in troubled parts of Bombay as army troops, in a show of force, patrolled the center of the city, according to Indian news agencies. The army columns were also reported to have been sent to the Govand neighborhood in northeast Bombay and Jogeshwari in the northwest part of the city to help police bring roaming bands of Hindu rioters under control and to protect the nearby Bhabha atomic research center.

2 Sudan Thieves Lose Hands, Legs

United Press International

KHARTOUM — Two thieves convicted of stealing electrical cables had their right hands and left legs cut off by order of an Islamic court Monday and became the first criminals to undergo cross-limb amputation since the introduction of Islamic law last September, the Sudan News Agency said.

Amputations in Sudan are carried out by government doctors who have been trained in Saudi Arabia where criminal amputations are commonplace.

Convicted criminals are usually drugged and sedated and then blindfolded while a doctor amputates the limb with a surgical scalpel and saw. The victims are then taken to a hospital to recover from the shock. The amputation procedure usually takes less than 15 minutes.

China Trying to Improve Quality of Birth Control

By Christopher S. Wren
New York Times Service

BEIJING — When China began one of its periodic family planning drives early last year, the family planning officials of Shunyi County responded with a vengeance. Middle-aged women using intrauterine devices were told to undergo sterilization. Other women were taken off oral contraceptives and fitted with intrauterine devices.

The devices were issued without much concern about sizing, so some women who switched became pregnant. Last year 7,629 women, or nearly one in 10 married women of childbearing age in Shunyi County, reportedly had abortions. The county, northeast of Beijing, recorded 84 abortions for every 100 live births in 1983.

China has found that a stringent birth-control policy is the only way that it can limit its population, now over one billion, and provide rising living standards. Last year China's population grew by 1.154 percent, well below the 1.73 percent growth rate reported for Asia last year.

Aiming to hold the population to 1.2 billion by the year 2000, the government now permits each couple one child only. Exceptions are made in some rural areas if the firstborn is a daughter, on the logic that a farmer needs a son to help work the land. Husband and wife have a duty to practice family planning under Article 49 of the 1982 constitution. An unauthorized pregnancy usually means an abortion. If an extra child is born, the wife may be instructed to undergo sterilization.

The family planning people are pushing so fast to achieve their targets that they ignore what the women's health problems are," said Dr. Barbara Pillsbury, an American medical anthropologist and director of the International Women's Health Coalition

in Washington. "They don't pay much attention to the side effects of the IUD and the pill, or the psychological effects."

But she said the Beijing Medical College, to which she was recently invited for 10 days, is concerned about making birth control more compassionate. The college, she said, wanted to set up a project in Shunyi County in better acquainted family planning officials, who are mostly men, with the needs of women, including personal counseling, a wider choice of contraceptives and greater awareness of side effects.

Dr. Pillsbury said Shunyi County, with a population of 477,000, was picked by the Beijing Medical College for a pilot project because its birth rate was 1.9 percent last year. That was only slightly higher than China's 1983 birth rate of 1.86 percent. Natural growth is reached by subtracting the mortality rate — slightly over 0.3 percent — from the birth rate.

Wang Shaoxian, a Beijing Medical College faculty member who studied in the United States, has proposed inviting American experts of ethnic Chinese descent from Johns Hopkins University and the Centers for Disease Control in Atlanta to train 15 junior staff members at the Beijing Medical College, Dr. Pillsbury said.

The U.S. experts would in turn fan out into Shunyi County to educate local planning cadres, as officials are called in China. Dr. Pillsbury said she was told the program would cost about \$253,000 over a three-year period.

The State Family Planning Commission, which operates separately from the Ministry of Public Health, has also set up a training course for family planning officials in Nanjing. The commission, which supervises the educational and administrative aspects



A family posing before a Beijing billboard promoting one-child families. It reads, "Daddy, Mommy and Me."

of birth control, is preparing to offer its technical services, including contraceptives and abortions, putting it in competition with local clinics that operate under the Ministry of Public Health.

The project in Shunyi County would focus on improving the quality rather than quantity of birth control. "They want to make it more humane, to reduce the rate of abortion," Dr. Pillsbury said.

The Chinese government has not released statistics on the number of abortions, which reflect the ineffectiveness of birth-control measures. But a study of what Dr. Pillsbury called a very large sample of eligible married women in the western district of Beijing in 1982 and 1983 showed that 44.7 percent of the women

had at least one induced abortion.

In 1982, the district had 74 abortions per 100 live births, meaning that over 40 percent of all pregnancies were terminated by abortion, Dr. Pillsbury said. She said the situation was not considered unusual for China.

Last September, Qian Xinghong, head of the State Family Planning Commission, denied Western news reports that women in China were being coerced into compliance with birth-control measures. His commission said women were subjected only to persuasion and education.

In practice this may include study sessions with officials and neighbors to persuade a woman to have her pregnancy terminated or be sterilized.

U.S. Reconsiders Curbs on Use of Formaldehyde

By Philip Shabecoff
New York Times Service

WASHINGTON — Reversing a decision it made early in the Reagan administration, the Environmental Protection Agency has announced that it would give priority to considering the regulation of formaldehyde as a possible cause of cancer in humans.

An agency spokesman said it would consider options ranging from doing nothing to a ban or partial ban on uses that might place large numbers of people at risk. The determination of whether the chemical presented an "unrea-

sonable risk" to human health, the agency said Friday, will focus on the two groups believed to be most exposed: people who live in homes built with materials made with formaldehyde and textile and clothing workers who use textiles made with formaldehyde resins.

About six billion pounds (about 2.7 billion kilograms) of formaldehyde is produced each year for use in foam insulation, such building materials as plywood and particle board, furniture, fabrics, dyes, grocery bags, air fresheners, plastics and many other products, according to the agency.

Early in the Reagan administration the environmental agency decided there were not enough grounds to consider a speeded-up regulatory process for formaldehyde under the Toxic Substances Control Act.

The decision was made after meetings between high-ranking agency officials and executives of the formaldehyde and chemical industries. Environmental groups and public health officials asserted at the time that they were deliber-

ately shut out of the closed meetings.

One basis for the agency's decision was the contention that a test showing that formaldehyde caused cancer in test animals was not enough evidence of unreasonable risk to humans.

After being sued by the Natural Resources Defense Council, an environmental group, and others, the environmental agency agreed last fall to reconsider its formaldehyde decision.

In its announcement Friday, the agency said animal studies indicated that formaldehyde caused cancer in rats at high levels of exposure. "Under EPA's policy, animal carcinogens must be treated as possible human carcinogens," the announcement added.

The agency also said it "cautions that today's announcement is not a decision to regulate formaldehyde but only a statement that EPA is not able to rule out the possibility that formaldehyde might present an unreasonable risk to human health."

Under the toxic substances law,

the agency can find health risks "unreasonable" only if they outweigh economic and other adverse effects of regulation.

"I'd say we won the case," said Jane Bloom, a lawyer for the Natural Resources Defense Council. "As a result of our lawsuit, the agency rescinded its previous decision and agreed to put in place a chemical risk assessment which they had abandoned."

She said she was concerned that the agency had left open the option of not regulating formaldehyde or of turning the issue over to some other agency, such as the Consumer Product Safety Commission.

On Feb. 22, 1982, the Consumer Product Safety Commission banned formaldehyde foam as a health threat, but the action was overturned by the U.S. Court of Appeals in New Orleans. The Reagan administration did not appeal the ruling and permitted the foam to go back on the market.

The Formaldehyde Institute, an industry group, called the EPA's decision inappropriate but said it would work with the agency during the review period.

Australian Poll Finds Anti-Asian Bias

The Associated Press

SYDNEY — Many Australians believe that too many Asians are being allowed into the country and want to see their numbers reduced, a Gallup Poll has found.

The Gallup Poll said a national survey found that 62 percent of the respondents disapproved of the growing numbers of Asians entering Australia and the increasing ratio of Asians in the overall flow of immigrants into the country. Another 32 percent approved of the proportion of Asian immigrants entering Australia while 6 percent were undecided, the poll said.

The survey appeared after weeks of debate in Australia on the issue and opposition charges that the government was moving away from the country's traditional British and European roots. About 90,000 immigrants are expected to enter Australia this year, half of them Asians.

The dispute began when a historian, Geoffrey Blainey of Melbourne University, claimed the government of Prime Minister Bob Hawke was favoring Asians in an anti-British immigration policy.

The government has responded to the charges by denying it is biased against British immigrants,

traditionally the largest immigrant group, and accused the opposition of racism.

Andrew Peacock, leader of the opposition Liberal Party, challenged the government Sunday to bring its immigration policy in line with what he said was public sentiment.

"Moving too far away from public opinion can only serve to jeopardize the work of previous governments in establishing sound immigration policies," he said.

On immigration in general, the poll said 64 percent of Australians thought the overall number of 90,000 for 1984 was too many.

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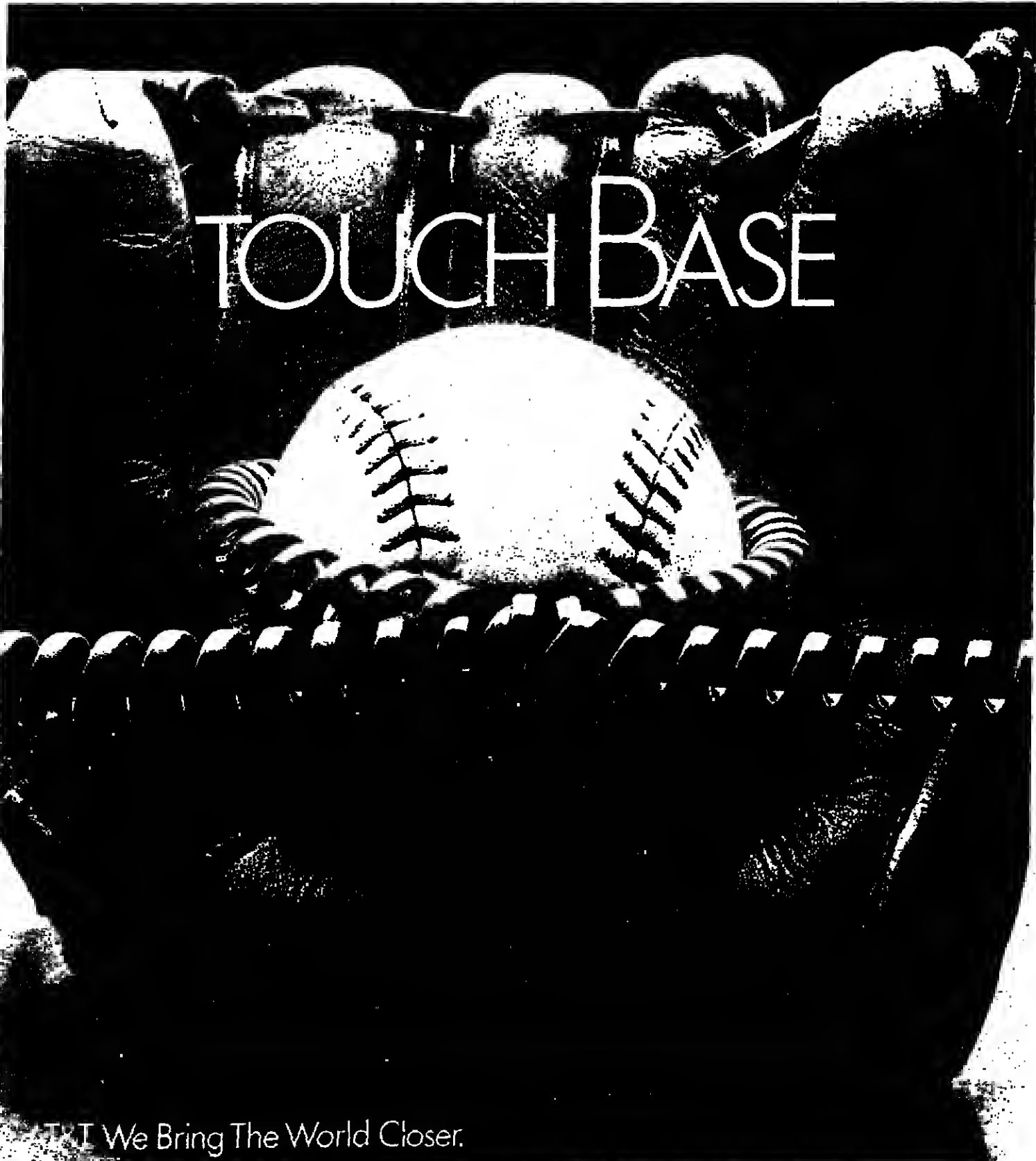


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HOVER SPEED



BACK TO NARITA — About 3,000 demonstrators marched Monday on Narita Airport, 40 miles (64 kilometers) from Tokyo to protest a government-planned expansion of the facility. The demonstration took place on the sixth anniversary of the opening of the airport, which gave rise to numerous and violent protests by farmers and radicals opposed to its construction.

U.S. Reform Jews Urge Renewed Ties to Blacks

By Robert D. McFadden
New York Times Service

NEW YORK — The leaders of Reform Judaism have called on American blacks and Jews to preserve their historic social alliance despite "traumas of the moment" that they said had been engendered by the Rev. Jesse L. Jackson's presidential campaign.

The Union of American Hebrew Congregations, which represents 770 Reform synagogues with 1.25 million members in the United States and Canada, urged restoration of the "coalition of conscience" that has long made blacks and Jews "natural allies in the struggle for social justice in America."

Responding to a growing rift between the nation's 26 million blacks and three million Jews, the union appealed to all presidential candidates, leaders of public opinion and "responsible groups in American society to repudiate all threats of violence and appeals to prejudice; indeed, all assaults on the democratic process."

"We are deeply distressed by the atmosphere of harassment, threats of violence and appeals to prejudice that have been part of the current election campaign," 130 trustees of the union declared in a resolution adopted by a voice vote, with notable dissent, at the end of a three-day meeting in Secaucus, New Jersey, on Sunday. Some trustees said they opposed reconciliation in the face of what they called black anti-Semitism.

"We are troubled that presidential candidates and other leaders of American public opinion have failed to adequately respond to these assaults on the democratic process," the resolution said. "We

condemn as indefensible threats of terrorism and reprisals directed against blacks or Jews, whether emanating from the Jewish Defense League or the Nation of Islam."

Nonetheless, the trustees said, "the traumas of the moment must not be used to justify the Jewish community's withdrawal from our historic commitment to social justice and to cooperative efforts for decency."

Concluding their semi-annual meeting, the trustees called for measures to strengthen black-Jewish ties. The Reform movement is the most liberal within Judaism and has long been closest to the aspirations of American blacks. While the voice of Reform is not strong among Conservative and Orthodox Jews, conference participants said the message was likely to have a positive effect on black and Jewish communities.

"The stances taken here will permeate the movement on a national level; I'm sure other groupings will follow," said Rabbi Alexander M. Schindler, president of the union. The initiatives outlined by the trustees indicated that the strategy would be to reach out to black churches and kosher leaders to augment the traditional ties with major black organizations, such as the National Association for the Advancement of Colored People and the Urban League.

The long-standing alliance of American blacks and Jews has undergone severe strains in recent years, with blacks angered by the reluctance of many Jews to support affirmative action programs and Jews angered by black antipathy for Israel and support for Arab and Palestinian causes in the Middle East.

Cambodia's National Day of Hate Marks Anniversary of Pol Pot Rule

United Press International

BANGKOK — Thousands of people turned out to mark Cambodia's National Day of Hate with a rally to mourn the victims of the deposed Khmer Rouge regime, the government news agency in Phnom Penh said.

SPK, the voice of Cambodia's Heng Samrin government, said Chen Sim, a Politburo member, addressed the gathering Sunday in the capital. The Khmer Rouge, led by Pol Pot, have been accused of killing up to three million people in the four years before they were driven from power by Vietnamese troops in 1979.

In a dispatch monitored in Bangkok, the agency said May 20, 1975, "was the day the Pol Pot gang began to implement its systematic, overt and savage genocidal policy against the Kampuchean (Cambodian) people throughout the country."

"It was the day when the blood and life of more than three million innocent Kampuchean people was shed and destroyed, when the tears of the surviving Kampuchean people started flowing up to the present," it added.

Western experts have placed the death toll at about 1.5 million.

The Day of Hate was called to allow people to vent their anger against Pol Pot and other enemies of the nation, including the "American imperialists" and the "Chinese expansionists," the announcement said.

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Zimbabwe Brutality Issue Divides Clergy

By Glenn Frankel
Washington Post Service

HARARE, Zimbabwe — By any public measure, the confrontation between the government and the Roman Catholic Church over army brutality in Matabeleland is their most intense since Zimbabwe gained independence four years ago.

But the issue has also stirred conflict within the church itself. The dispute is between senior church leaders, who say that quiet diplomacy has persuaded the government to improve conditions in the region, and individual priests, who say the church may be rightfully blamed for condoning atrocities if it does not speak out more forcefully.

The conflict is particularly intense because the church is the most influential of the handful of frail institutions that survived a seven-year war of independence and now a bloody insurgency in Matabeleland in the south.

"The survival of the people of Matabeleland may depend on what the church says," the Rev. Hebron Wilson, a priest in the southern city of Bulawayo, asserted. "Either the church goes forward with integrity or it stands to lose credibility for good among the people we serve."

Father Wilson is one of several clergymen in the region, not all of them Catholic, who have accused army soldiers of killing, torturing and raping civilians in the area, where a military counterinsurgency

campaign has been carried out since February. A Catholic priest in Harare, the Rev. John Gough, last month charged the government with pursuing genocide against the Ndebele-speaking minority in Matabeleland.

Government officials have reacted angrily to the charges, pointing to new road, school and health projects as proof that the government is not seeking to exterminate the people of Matabeleland.

The officials accuse the clergymen of siding with Prime Minister Robert Mugabe's main rival, Joshua Nkomo, whose political stronghold is in Matabeleland.

Health Minister Sydney Sekeramayi, in a recent speech at the opening of a health clinic in Matabeleland, accused Father Wilson's bishop, Henry Karlen of Bulawayo, of "spreading filthy lies." Mr. Sekeramayi said he was "a queer bishop in league with Satan, Joshua Nkomo, bandits and other evil forces hell-bent on trying to destroy our nationhood and the unity of all our people."

Despite the vilification, church leaders insist that their relations with the government have not soured, although they concede that the situation is highly uncertain.

"At the moment we can still go to government and they are prepared to see us at any time, even on the most sensitive issues," said Bishop Patrick Murembe, secretary-general of the seven-member Zimbabwe Catholic Bishops' Confer-

ence. "But we don't know what the future holds."

Bishop Murembe said the bishops presented Mr. Mugabe's office with a report April 6 outlining allegations of army brutalities and widespread hunger in the area, where there is a drought. Three days later, the government, which was also under pressure from Western diplomats to lift restrictions on food shipments into the area, announced it was easing the strict military curfew.

The report "was supposed to induce the government to act quickly, and it did," Bishop Murembe said. The report has not been made public.

The Catholic Church, which counts about 10 percent of Zimbabwe's eight million people as members, has always considered itself nonpartisan but has been embroiled in politics since the days when the white minority government of Ian Smith fought black guerrillas in the breakaway British colony of Rhodesia.

In 1972, the church established its Justice and Peace Commission, which publicized alleged government atrocities. Mr. Smith branded it a communist tool.

Many church officials welcomed Mr. Mugabe's election victory in 1980, and the church has cooperated with government agencies in rural development projects since then. "It is a good government that is doing tremendous work in education, health, development and other

areas," said Michael Auzet, chairman of the Peace and Justice Commission. "They have a huge problem in Matabeleland, but that is only one part of the country."

Nonetheless, while Mr. Auzet insists the state has an obligation to put down the armed insurgency in Matabeleland, he says the army has far overstepped its proper role. "They have destroyed their own credibility," he said of the soldiers.

Last year, following a similar military crackdown in northern Matabeleland, the bishops issued a public statement condemning what they called a "reign of terror."

One response was public vituperation from Mr. Mugabe, himself a Catholic, against "sanctimonious prelates." But Mr. Auzet said government officials also took steps to lower the level of violence and established a commission of inquiry. But priests who say they see victims of the army's campaign on a daily basis charge that the results of quiet diplomacy have been inadequate. "People are still being killed," Father Wilson said.

Bishop Murembe said that the bishops "could induce a public confrontation, but I don't think the people of Matabeleland would win in that scramble."

Czechoslovak Visits Belgrade

BELGRADE — Prime Minister Lubomir Strougal of Czechoslovakia arrived in Belgrade Monday for a four-day visit.

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Herald Tribune

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Toward the Debt Brink

When America's interest rates rise one percentage point, the added annual cost to Third World borrowers is nearly \$4 billion. The rates have risen more than a point in two months, and may go higher. It is a new phase of the world debt crisis, posing a particular dilemma for the United States, which thus appears to be profiting from the troubles of the poorest nations. This emerges the nations whose interest payments already eat up all their foreign trade earnings. Why, they ask, should they have to tighten belts even more to underwrite the prosperity of the United States? It is "madness," says President Raúl Alfonsín of Argentina.

Federal Reserve Chairman Paul Volcker is equally although less pungently concerned. President Reagan's budget deficits have forced the Fed to tighten its hold on credit, even though it knows that this threatens the debtor nations' recovery and may force them to choose between political turmoil and default.

The most discussed remedies, or palliatives, are to put a cap on the interest rates that the nations in greatest difficulty pay to foreign banks, or to convert some of the interest into loans to be repaid in the distant future. Mr. Volcker and Anthony Solomon, the president of the Fed's New York branch, are the most active advocates of this course. They believe that some debtor nations are reaching the limit of the debt they can carry. They also think that the Fed could better manipulate interest rates

against inflation if Third World debt were insulated from further increases.

Any such relief would impose at least a temporary cost on someone else. Mr. Volcker and Mr. Solomon are in effect lobbying to have the world's commercial banks pay it — with varied accounting schemes to mitigate the pain. The benefit to the banks would be greater. The Fed can more rationally control credit to resist inflation in the United States. The Reagan administration, unfortunately, prefers its customary position of minimizing the crisis. Treasury Secretary Donald Regan has again said he sees no need for special Third World accommodations. Some bankers vigorously resist any remedy that would reduce bank earnings.

Three dozen countries, owing more than \$600 billion, have had to be rescued from default on interest payments in the last two years with new bank loans and loans from the IMF. In return they have had to adopt politically risky austerity measures. But these short-term rescues have kept the banking world jumping from crisis to crisis while still losing ground to rising interest rates. Only a strategic response can pull everyone back from the brink. As the West's leaders prepare for the London economic summit next month, no subject should be higher on their agenda.

— THE NEW YORK TIMES.

When Intervening Is Fine

Few words in diplomacy are so imprecise and negative as "interventionism." No nation admits either the urge or the deed. Your country may intervene, ours only protects vital interests, common values or whatever. So when Mexico's President Miguel de la Madrid cautioned President Reagan against "interventionist solutions" in Central America last week, he was offering only laudable sentiment.

Take the vexed matter of El Salvador. In blurring out a classified secret, Senator Jesse Helms confirmed what many suspected — that José Napoleón Duarte, a Christian Democrat, owes his election as president to considerable U.S. financial and logistical help. Interventionism? Yes. Shameful? Not in the circumstances. The conflict in El Salvador is triangular. Marxist guerrillas get sustenance from Cuba and Nicaragua, although its magnitude may not be crucial. The right-wing ARENA party led by Roberto d'Aubuisson has been generously bankrolled by wealthy Salvadoran exiles living in Florida. To the middle stand the reformist democrats led by Mr. Duarte. To deny them aid would be a counterintervention that only rewarded interventionism.

No one has described the underlying dilemma better than John Stuart Mill. To be morally legitimate, he wrote, counterintervention needs to be respected by all. "The despot must consent to be bound by it as well as free states. Unless they do, the profession comes to this miserable issue — that the wrong side may help the wrong, but the right must not help the right."

— THE NEW YORK TIMES.

Other Opinion

Could Europe Have an Army?

The sudden escalation of the Gulf war last week sent shock signals around the world. As usual, all eyes turned to Washington. Meanwhile, the countries that are really at risk if the Gulf were closed — in Western Europe and Japan — do little but watch as the danger grows greater. If anybody has an interest in keeping the flow of oil going, it is they. More than a quarter of Western Europe's oil comes from the Gulf, against only 4 percent of America's. Yet Europeans seem powerless to act.

The prospect of Japanese or German soldiers going to war for the first time since 1945 is not an appetizing one. But Western Europe needs to be able to dispatch troops when necessary, even if they include no Germans.

The last attempt to create a European army collapsed in 1954 when both the British and the French refused to join the proposed European Defense Community. [Now] France's President Mitterrand has proposed that an old institution should be revived as the vehicle for the new European defense community — the Western European Union. Both Sir Geoffrey Howe, the foreign secretary, and Michael Heseltine, the defense secretary, have welcomed the French proposal, but have made it clear that they see little role for a European defense policy independent of the United States.

Since 1945, Britain has dismissed every important European political initiative, then tried to join it, then complained that it was ill-suited to Britain. The Thatcher government seems doomed to make the mistake again.

— Stephen Milligan, foreign editor, writing in *The Sunday Times* (London).

A Slow Pace for Asian Women

In one Nepalese village, women do most of the farming and all the housework. They collect water from the foothills and heave the jars up to their homes. Lamented a teacher, "Unless you do something about the water supply in villages like ours, nothing can be changed. Do you see how you talk with goodness of heart but no understanding?" The Nepalese teacher was talking at an international forum on women's problems in developing countries. Her words illustrate vividly how intractable and varied the problems can be.

As 1985 nears, ending the UN Decade for Women, the world is not much nearer to equal opportunities. Some 1.2 billion women in Asia and the Pacific region are singled out for programs to nudge them into the mainstream of development and equality with men. Access to science and technology is seen as a powerful tool for women's development. Women in politics, both in elective and appointive roles, are also highlighted. [But] even in America, equal opportunities remain an ideal.

— *The Business Times* (Singapore).

A Usage-Related Admonition

It always gives me a thrill when I spot a new usage creep into the language, and I would like everyone to give a big hand to the hyphenated noun-plus-participle masquerading as an adjective. [However,] this little construction will become a bad habit, a reflex-linked action, before we know where we are. I find the whole thing a nausea-operated topic.

— Miles Kingston in *The Times* (London).

FROM OUR MAY 22 PAGES, 75 AND 50 YEARS AGO

1909: Crisis in Dominican Republic

ST. THOMAS, Danish West Indies — The situation in the Dominican Republic has been critical for some days past, since two generals started an insurrection, General Quiroga Félix in Santiago and General Camacho at Guaymas. According to the latest dispatches, they were about to join forces at Santiago and march on Santo Domingo, the capital. Hayti has evidently taken advantage of this unsettled state of affairs to invade the territory of the sister republic. The seriousness of the situation is in the overwhelming superiority of Hayti's military and naval strength. Her army consists nominally of 6,828 men, with a special "guard of the Government" of 650 men. Santo Domingo's only military forces are six companies of artillery and the Rural Guards.

1934: U.S. Strikes Turn Violent

NEW YORK — Strike fronts in three sections of the United States were marked with violence [on May 21]. Fierce frays took place in Minneapolis, where police battled with more than 1,000 striking truck drivers who sought to prevent shippers from running a convoy of foodstuffs through picket lines in an effort to relieve a critical food shortage. In New Orleans several shots were fired when police attempted to break up gatherings of striking dock workers who threatened to clash with men temporarily filling their jobs. None was injured in the clash, but several pickets were arrested. Bitterness continued in the strike in the Alabama coal fields. Striking miners attempted to burn a heavy dynamite bomb into the shaft of a mine at Coal Valley.

Diktat: No Games for Unanimous Satellites

By Leopold Unger

BRUSSELS — All the Soviet Union's client states, with the unsurprising exception of Romania, have announced that for the very reasons put forward by the Soviet Olympic Committee they, too, will boycott the Los Angeles Games. But this unanimity is a facade.

The fallout from the Soviet veto will affect far more than the world of sports. More than any other single event in recent history, this enforced boycott focuses attention on the unhappy inheritance of the Yalta accords. The citizens of East European countries are aware of this.

They know that they were forced to give up participating in the Los Angeles Games to advance Soviet interests and not their own.

To East Germany, national interests are directly tied to participation in the Games. By boycotting Los Angeles, East Germany loses an essential element in its international standing. The extraordinary Olympic successes of the past — a medal for every 200,000 East Germans, compared to a medal for every 2,000,000 U.S. citizens — were awarded this year as a prime justification of national pride that would add some glimmer to the situation of East Germany's 35th anniversary.

Even for countries less distinguished in sport, the Games were to be an opportunity to exist under their own flags and emblems, on an equal level with any country in the world.

The Soviet veto singularly demonstrates that these ancient and proud nations have been reduced to the humiliating status of satellite states. The total Soviet control over its "allies" and the complete servitude of their governments have forced them to follow the Soviet lead.

This is a sharp blow, and a lesson that those countries will not soon forget. If Soviet pressure is this strong in an apparently secondary domain such as sports, it becomes easy to see what price must be paid for the "friendship" of the Soviet Union in the fields of diplomacy or economy. The Communist leaders of these countries had to take yet another step toward losing what remains of their credibility with their own populations.

China has given greater emphasis to the Yalta aspect of the Olympics by announcing that it would attend the Games for the first time in 32 years. It took part in Helsinki in 1952, but decided to boycott the 1956 Melbourne Games because of the presence of a delegation from Taiwan. Now China has let it be known that it will be present in Los Angeles despite the planned participation of Taiwanese athletes.

Bitterness in Eastern Europe is only deeper and more widespread because of that. And for the first time it reaches the *nomenklatura* in a big way. The community of athletes in Communist countries is powerful and influential. There are 55,000 coaches in the Soviet Union and 125,000 professors of physical education who manage and direct the millions of athletes who give the Soviet Union its predominant role in sports. The Academy of Moscow has seven higher schools of sports with 300 students.

All these people are part of the elite of the nation. They are all professionals, paid and maintained by various clubs, particularly those of the Army and the KGB. The same system prevails in the other East European countries.

All these people have been affected by the Kremlin's veto. Their efforts of the last four years have been in nothing. Many athletes will roll with the punches, in silence; some will even sign declarations of support for the boycott. But the vast majority, particularly in Poland and Hungary, will keep remembering the insult.

All the more so because athletic competitions are a way to resolve national frustrations — that is, to be legally and Soviet.

The water polo match in Melbourne in 1956 between the Soviet Union and Hungary was bloodied by the hatred that resulted from the

recent tensions in Budapest. During the Soviet-led invasion of Czechoslovakia in August 1968 the Red Army met no resistance, but a world championship ice hockey match between the Czechoslovak and Soviet national teams in Prague in March 1969 led to anti-Russian riots.

Władysław Kozakiewicz, the pole vaulter who won at the Moscow Games and made clear to the chauvinistic Moscow crowd the scorn of an insulted but victorious Pole, has become a legend in Poland and a symbol of rejection of Soviet domination. When Lech Wałęsa attended a recent school match between Gdansk and Juventus of Turin, the crowd of 100,000 turned the occasion into an anti-Solidarity demonstration.

Now the Soviet decision and the obedience of the satellite leaders deprive the people of the Soviet bloc of all this — and also of an extraordinary show that they had been awaiting for several years. It is a blow to millions subjected to the gray shadows of daily state television and eager for the opening to the world that would have given them the illusion of belonging to a large and free human community.

International Herald Tribune.



Warning: West Germany Is Drifting to Neutralism

By Philip Geyelin

WASHINGTON — Geography makes the Federal Republic the centerpiece of any strategy for the defense of Western Europe. It follows that when serious West Germans talk of a deepening identity crisis, policymakers and politicians would be well advised to pay attention.

Also to degree, West Germany's angst is also Europe's. It has to do with a generational distancing from the spirit and purposes of the early Atlantic Alliance days; with economic stagnation; with fear of being a U.S.-Soviet nuclear battlefield.

But West Germany's angst is also uniquely indigenous, rooted in its past and aggravated by the postwar division that consigned East Germany to Communist rule. The Christian

Democratic mayor of Frankfurt, Walter Wallmann, laid it out in an unsettling way in Washington the other day over breakfast, and then in a speech to the American Institute for Contemporary German Studies.

His message was also delivered in private talks with Reagan administration officials and members of Congress. It boils down to a plain warning that West Germany's allegiance to the Atlantic Alliance, and even its membership in NATO, is no longer something to take for granted.

"The consensus over foreign policy which has existed between the two major parties ever since 1949 has broken down," Mr. Wallmann said.

he speaks with a certain detachment, and some partisan passion. But he is far from alone in his argument and his historical analysis.

From Bismarck at the end of the 19th century until after World War II, he contends, Germany did not have an established *raison d'état* — a clear definition of its place in the European scheme of things. The postwar "German question" was resolved after a bitter battle between a Christian Democrat, Konrad Adenauer, and a Social Democrat, Kurt Schmiedtke, over whether the Federal Republic should seek its security in the Atlantic Alliance or reach out for national reunification and neutrality.

In 1959 a Social Democratic Party conference debated this question, in Adenauer's favor, that Mr. Wallmann says has now broken down. Whether that is literally the case is less important than the visible trends and tendencies that have gradually reopened a "German question" that was supposedly settled 25 years ago.

As far back as in 1969, Willy Brandt, who now heads the opposition Social Democratic Party, initiated "Ostpolitik" as West Germany's chancellor. His goal was a gradual rapprochement with the East, designed to culminate over time in a "normalization" of relations and, ultimately, in reunification.

Now, under a Christian Democratic government, Ostpolitik has revived. It finds its expression in regular weekly telephone chats between Chancellor Kohl and his East German opposite number; in increased trade and other contacts; in a surprising and not entirely explicable decision by the Soviets earlier this year to allow 50,000 East Germans to move west — perhaps in part as a form of repayment for the one billion marks that the West German government loaned to East Germany last year.

Mr. Wallmann sees no prospect for reunification, and he therefore recognizes strict limits to the promise of Ostpolitik in the absence of fundamental change in the Soviet Union and its European objectives. Although he is well aware of the obstacles to a better alternative — a return to the building of a truly united Europe, self-sufficient militarily and speaking with one voice politically — that is the direction he would choose.

But the real choice, he figures, will be made by Britain and France. If they are not prepared to move in that direction, too, "then the neutralist tendencies in the Federal Republic will grow." That course may not be unrealistic, says Mr. Wallmann, although "there have been times when German politics were not always free from hopes and utopian dreams."

The Washington Post.

Signs of German Change, 35 Years On

By William G. Andrews

PARIS — The number 35 looms large on the German landscape this spring. In one context, it commemorates the beginning of the post-war era. In another, it may presage its end. Interviews and observations during a recent trip through both Germanys suggest that connection.

The commemorations began with the 35th anniversary of the NATO treaty on April 4. The signing of the treaty preceded the founding of the Council of Europe on May 5, 1949, the collapse of the Berlin blockade on May 12 and the establishment of the Federal Republic in West Germany on May 23 and then of the German Democratic Republic in the Soviet zone a week later.

Those two short months ended a generation of almost unrelieved turmoil and tragedy and laid the foundations of postwar Germany and Europe. The failure of the blockade and the success of NATO froze the Cold War frontier in the West. The Council of Europe became a cornerstone for European integration. The creation of the two Germanys gave permanent, contrasting forms to their political, economic and social lives.

The 35 years since 1949 have been a time of stability. West Germany has enjoyed unprecedented prosperity. The torpor of the East German economy has been equally constant. Except for the June 1953 revolt in East Berlin, neither governmental system has faced a serious challenge.

West Germany has been animated by an almost obsessive search for political and social conciliation, in reaction to the preceding chaos. It developed formal and informal structures and practices to avoid open conflict on all but the most superficial matters of managerial politics.

The major political parties allied on most important policies. Disputing parties drew little support, their aggregate vote total falling below 1 percent. The two houses of parliament had contrasting partisan majorities for 13 years, yet, according to a parliamentary official, they disagreed on fewer than 3 percent of the bills.

Bundestag committees held their hearings behind closed doors to shield discord and facilitate agreement. Labor and management shared that attitude, collaborating to maintain an extraordinary degree of industrial peace. The Federal Republic has had only half the strike rate of France, one-fourth that of Britain and one-eighth that of the United States. That concord culminated in a formal procedure through which top business and labor leaders found common positions on most economic and social issues.

Consensus in the Democratic Republic rests on quite a different basis. To the initial fear of reliving the disorder of the previous generation is added the oppressive presence of the Red Army and the Volkspolizei. Discontent was further dampened by the westward flight of 3 million East Germans between 1949 and 1961 and the trickle thereafter.

Tact acceptance of the system by the great mass of East Germans has been fostered by slowly rising living standards and the drumbeat of indoctrination through the media and the educational system. By 1976, everyone under 60 has been educated entirely under totalitarianism: Nazi, Communist or both.

Travel in East Germany distinguishes

no ripple of change in that social calm. However, the number 35 in its second context may be signaling an end to consensus in the West. The number is plastered all over West Germany as part of labor's campaign to reduce the workweek to 35 hours. That effort may be generating the biggest social-political conflict in postwar Germany. The current strike by the powerful metalworkers' union may be only the first big test in a burgeoning confrontation.

In the background are other, less spectacular, signs that the postwar consensus has eroded. The formal concord between business and labor has ended. For the first time since 1957, a dissident party, the Greens, has appeared in the Bundestag. The Social Democrats, who broke the 30-year bipartisan truce on foreign policy last fall with their opposition to the deployment of Pershing-2 missiles, have begun to prepare a new long-term policy program that is expected to bring them into broader ideological conflict with their rivals.

Consensus has faltered before, but each time it was patched up, and the system continued with little change. The clash over Willy Brandt's policies toward Eastern Europe in the early 1970s and the recurrent disputes over worker participation in industrial management are examples.

This time, though, the number 35 is suggestive. It evokes the shift of the center of gravity gravely downward from the generation that emerged from World War II. The successors may lack the deep commitment to order and stability that has been the basis for the postwar consensus. The whole tone and character of West German politics may be changing.

International Herald Tribune.

Olympic Politics, 1984

Regarding "Concern for the Team's Safety" (Other Opinion, May 14):

What planet does Christopher Brasher of *The Observer* live on? He writes that the Russians are not boycotting the 1984 Olympic Games in Los Angeles but simply "staying at home because they believe that there are fringe groups in California who would delight in putting a bullet hole through the back of an athlete wearing a Soviet track suit." I know these Americans, and they are not fanatics, not lunatics, not "fringe" by any means, but intelligent people of anti-Communist persuasion. They would not kill. They are law-abiding citizens who exercise the freedom to protest and to demonstrate peacefully.

ANTHONY MANTYKOWSKI
Carrollton, France.

Regarding the opinion column "Moscow's Olympic Gambit: Defections Averted" (May 10):

Does Arnold Beckman honestly believe that East bloc athletes would defect in droves upon catching a

glimpse of Sid Grauman's *Gladiator* Theater or of a McDonald's on Sunset Boulevard? As a longtime watcher of Soviet affairs, he should know that defections would have been rare.

He himself points out that "the U.S. today is probably the most difficult police and spy agency in the world." Would it let questionable athletes travel to the land of "black face scoundrels"? Family ties, which play a very large role in Russia, would have kept most athletes from defecting.

Perhaps the Reagan administration's lukewarm support for Soviet participation in 1984 and revivification of the U.S.-led boycott in 1980 played a much larger role in the Soviet Union's decision to pass up Mr. Beckman's "Hollywood gambit."

MATTHEW A. WEILLER
Würzburg, West Germany.

It is interesting to note that in 1980 no journalist, however imaginative, would have conjectured that the U.S. was boycotting the Olympic Games for fear its athletes might defect.

KATHRYN J. ANGELIS
Athens.

LETTERS TO THE EDITOR

While it is true that the members of the Soviet and other East bloc athletic teams are not the same as Western athletes, there is little animosity about them. Despite the fact that many Western athletes who were late to turn professional — such as Muhammad Ali and Sugar Ray Leonard — were successful against the Soviets' best, there is no doubt that the facilities and training opportunities provided for these "semi-pros" give them a definite advantage over Western and Third World athletes. For one, an excited by the prospect of viewing the first truly all-anatomical Olympics in decades.

S. RITTERMAN
Paris.

Regarding "Olympics: The Whining Ball" (Other Opinion, May 12):

While I agree entirely with the thrust of this Los Angeles Times comment, I believe it overlooks an obvious solution to save the troubled Olympics. If a new direction is not taken, the Games will not last out the 20th century. The most basic reforms would be to establish them at a permanent international site, and that site should be in the country of origin of the Games; Greece. The International Olympic Committee must be urged at every opportunity to take this step, not only to preserve the

Olympic ideals of international competition and goodwill but for the very survival of the modern Games beyond their 100th anniversary in 1996.

FRANK J. FAUBERT
Scarborough, Ontario.

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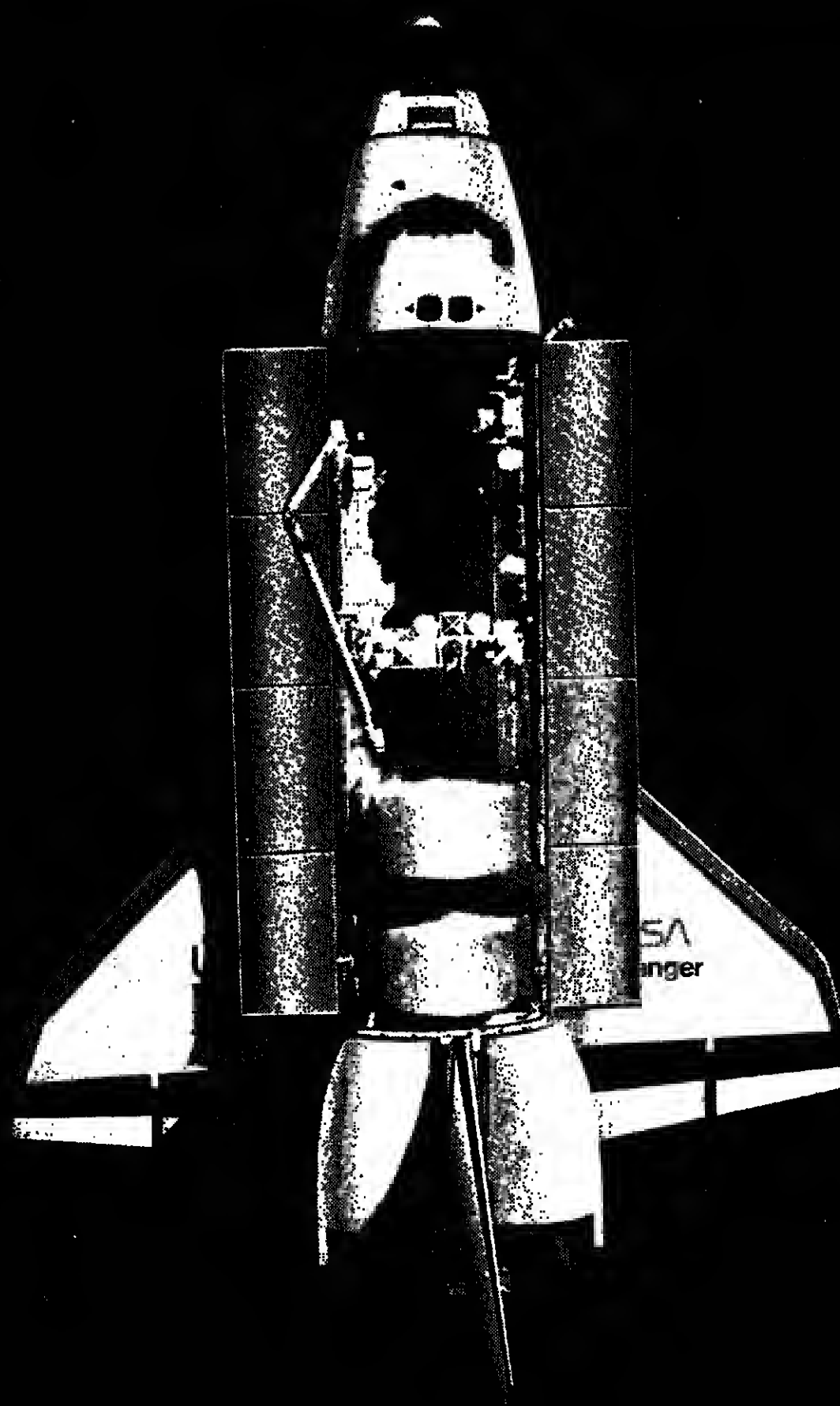


Photo of the Rockwell International-built Space Shuttle in orbit, taken from the West German SPAS satellite.

ARTS / LEISURE

Cannes: Business Before Art

By Thomas Quinn Curtiss
International Herald Tribune

CANNES — It is business before aesthetic pleasure at the Cannes Film Festival this year. Once its lure was the unveiling of promised screen masterpieces. Now market affairs dominate. It is boasted that more films are bought and sold here than anywhere else in the world.

A remnant of the faded high life is maintained by companies with products for purchase. Prospective clients and visiting reporters are bidden to dinner parties, cocktail receptions and suppers. The social scene is no longer that of theatrical Bohemia but rather that of a convention get-together.

Players in participating films occasionally appear with an entou-

rage of eager photographers, but rock stars outshine movie stars these days.

Meanwhile the screenings go on. In "Voyage to Cythera," the Greek director, Theo Angelopoulos, introduces a producer who wants to make a movie about a political refugee, but, preoccupied by the line between fiction and reality, apparently never gets to work. This turgid, three-hour saga is illuminated by Yorgos Arvanitis's fine photography. But the film, unfolding with heavy tread, fails to organize and communicate its message.

Vincent Ward's "Vigil from New Zealand" is even more obscure, relating the gloomy nightmares of a young girl growing up in the bleak wilds, which look like the décor for a Samuel Beckett play.

Pat O'Connor's "Cal," an Irish entry, engages us in a melodramatic muddle about "the troubles" in a small town near Belfast. Its protagonist is an out-of-work Catholic lad who unwittingly becomes involved with terrorist gunmen. Assassinations, bombings, kidnappings and incendiary acts abound. But a better scenario might have been provided by setting St. John Ervine's old play about religious conflict in Northern Ireland, "Mixed Marriage," against the present-day chaos.

The Soviet Union is exhibiting two films in Cannes. The first, projected out of competition, is the more interesting: "Pavlov," a screen biography of the great dancer. It was shown here dubbed into English and edited by Michael Powell, who made the celebrated ballet film, "Red Shoes."

Most of the better Soviet films recently have come from the Georgian studios, as does Lana Gogoberize's "The Day Longer Than the Night," which is on the prize-contending program. It relates the troubled life of a Georgian peasant woman and the turbulent social changes in her land. Alas, the film's recording of her hardships, as she

reviews her life at 80, is diffuse and long-winded.

Lino Brocka, the foremost director of the Philippine cinema, gained his reputation abroad from his contributions to earlier Cannes festivals. This year he arrived with his latest film, "Bayan Ko" which he illegally smuggled out of his homeland, feeling certain it would never have been approved by the censors of the Marcos government. It has been entered in the official competition.

Brocka describes "Bayan Ko" as a social melodrama. Its criticism of the present government is oblique. He has embroidered his story with television footage of the recent protest parades in Manila to illustrate the temper of the moment, but his scenario focuses on the woes that beset a young printer when his wife, become pregnant, must quit her job and the family income is decreased. In technique, this is his best work to date. It is moving in its depiction of the dark misery of Manila's slum population, swift and lucid in its narration and charged with a theatrical vigor that its director claims was inspired by study of the American underworld thrillers.

"Success Is the Best Revenge," a British entry, has been written and directed by Jerzy Skolimowski, Polish-born but living in London exile.

The chief figure of his script (played by Michael York) is like his creator, a Polish director living in London exile. To draw attention to the Polish cause he is rehearsing a weird protest pageant. Meantime, his rebellious 15-year-old son (Michael Skolimowski) takes more daring action, obtaining passage on a plane to Warsaw to do his bit for his father's country. The film, a strange one, alternates between the father's preparations for his surrealistic spectacle and the flight of the son. A peculiar and uneven contribution, its most impressive feature is a set of Topolski fresco caricatures of the Yalta conference.

Malcolm Lowry's novel, "Under the Volcano" has finally reached the screen in a version directed by John Huston with Albert Finney as the gonorrhea British consul going to pieces in 1938 Mexico. Finney,



John Huston

playing the desperate has-been fallen into chronic alcoholism and bent on self-destruction, conveys the fatalistic concept of the book with mastery expertise. But most of the film is otherwise disappointing.

Time has robbed the story of topicality. The references to the infiltration of Nazi agents and the sentimental recollections of the Spanish Civil War are quaintly old-fashioned. Jacqueline Bisset as the faithful wife has little to do and Anthony Andrews has been humorously miscast as the lover who, sporting a silly sombrero with turned-up brim and wearing a friendly smile, resembles a cowboy singer of the Roy Rogers ilk. Even the picturesque, macabre All Souls' Day fiesta is déjà-vu, having been exploited so exhaustively by Eisenstein in his Mexican masterpiece.

The major out-of-competition event at the current Cannes festival has been the world premiere of Sergio Leone's "Once Upon a Time in America."

The film traces the rise from New York's Lower East Side ghetto of a band of immigrant street boys who, beginning as petty thieves and minor racketeers, attain underworld power with the enforcement of prohibition. Operating as bootleggers, muggers and brothel-keepers during the dry era they move into extortion practices and shady labor union politics after the noble experiment was repealed.

Their progress from poverty to riches is chronicled to individualize the members of the rat pack and as far as possible to "humanize" them. Sex, sadism and sentimentality are the script's staples.

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Diana Vreeland: Keeping Legend Going

By Hebe Dorsey

International Herald Tribune

NEW YORK — Diana Vreeland is a legendary woman who, in that hazy somewhere-around-80 plateau, still has more than one ball in the air.

At the Metropolitan Museum's Costume Institute, she is working on two major exhibits: one on India and another called "Man and the Horse." The latter, scheduled to open next December, will succeed the Yves Saint Laurent retrospective, which so far has drawn more than 400,000 people.

Six weeks ago, she created her own design studio, Diana Vreeland Inc., expanding a fledgling license operation that already includes bedspreads for Wamsutta and furs for Michael

Forrest. And now a book, titled "D.V.," to be published by Alfred A. Knopf on June 11. It will be launched with a party at Mortimer's restaurant on June 14, courtesy of Bill Blass and Oscar de la Renta.

"It's just talk," Vreeland said of her book in a recent interview. "Because I'm not a writer, I talked into one of these machines, so every word is mine, but it's edited by George Plimpton and Christopher Hemphill."

Then she added somewhat formally: "It's talk, but I wouldn't call it chat."

The result is like spending two hours with one of "the very few great original women" in the United States, to quote Truman Capote, a "recount of the outé," as one book review put it. Vreeland was born in Paris. Her father, Frederick Young Delzer, a personable Scotsman and a stockbroker, and her American mother were "racy, pleasure-loving, good-looking Parisians who were part of the whole transition between the Edwardian era and the modern world. Money didn't seem of any importance."

All kinds of people came to their house. Nijinsky came with Diaghilev. "Diaghilev was very impressive. He had a streak of white hair and a streak of black hair . . . but Nijinsky was like a pet griffin."

Her nurse — "appalling . . . but her name was Pink and I've always thought that name had great style" — took her and her sister to the Bois de Boulogne where she saw the parade of the great beauties of Paris, the great women of glamorous days.

She was presented at court in London — "You took food and you took a flask." She went to King George V's coronation in 1911. "The maharajahs were a dime a dozen and they put jewels on their elephants. . . . My sister and I saw them [the elephants] go by like taxis on Park Avenue."

After she married banker Reed Vreeland, they lived in London — "the life of Riley. We'd go to North Africa or we'd go to Bavaria or to Hungary. . . . We only went where the air was fragrant and life was easy. . . . We traveled rather recklessly in our glorious Bugatti with our marvelous chauffeur and my maid from London and there was never any problem."

She opened a small lingerie shop where, she claims, Wallis Simpson — "She knew exactly what she wanted" — bought three beautiful nightgowns, "two pale blue, another in white . . . on her way to her first weekend alone at



Diana Vreeland at fashion display at the Metropolitan Museum.

Fort Belvedere with her prince." They later became friends. "Did I tell you about the Duke of Windsor's bathroom at the Moulins?"

She tells of meeting everybody who was anybody — Jackie Kennedy Onassis, Chanel, Cole Porter, who had "the patina of the world," and Clark Gable, who "wasn't all that handsome, his head was too big." When he took her to the nightclub El Morocco, "Clark grabbed my hand. 'Don't look left,' he said, 'and don't look right, just keep walking. Hold onto your hat, kid, the place is gonna blow.'"

Vreeland naturally talks also of clothes and colors. Her eye for color is "perhaps the most exceptional gift I have." Her famous "pink is the navy of India" is followed by "green can look like the subway . . . red is the great clarifier. . . . When I say orange, I mean red-orange, the orange of Bakst and Diaghilev, the orange that changed the century. . . . All my life I've looked for the perfect shade of red. . . . Taxi-cab yellow is marvelous. . . . Black is the hardest color in the world to get right — except for gray." Pauline de Rothschild's New York house was "the color of the inside of a pearl" and Prince Aly Khan, whom she first saw when he was 7, had a face "exactly the color of a gardenia."

Some of her well-known one-liners: "Horses smell much better than people."

"The French are very generous if you offer them money."

"If your feet are correct, you have elegance."

"For years, my maid Yvonne polished all my shoes after each wearing — including the soles."

All of this could appear superficial if one does not remember that Vreeland is an uncanny dog who, since 1936, has put in highly disciplined years first as editor of Harper's Bazaar then at Vogue. After she was fired from Vogue, in 1971 at nearly 70, she made a spectacular comeback at the Costume Institute. Since 1973 she has staged remarkable fashion retrospectives that have been seen by millions.

But, with a British sense of privacy, Vreeland won't discuss grief and hardship. Her husband, whom she clearly adored, died of cancer; he was fired from a prestigious job and, all in all, there must have been some pretty hard years.

Her optimism undimmed, she prefers to view life as she sees it. "I tell you about Josephine Baker sitting next to her chestnut at the Miroir? Did I tell you about the zebras lining the driveway at Saint Simon? You believed it, didn't you?"

Maybe it was not all true. Who knows? As she often told her reporters at her magazine, after sending them on impossible missions: "If you can't find it, fake it."

A 1927 Bauhaus Project Is Being Renovated

By James M. Markham
New York Times Service

STUTTGART — In 1927, a daring architectural experiment sprang on an isolated hill overlooking this gently terraced city. In an unusual burst of concentrated creativity, Mies van der Rohe, Le Corbusier, Walter Gropius, Peter Behrens and 12 other pioneers of the modern movement assembled a housing settlement that they felt anticipated how the urban dweller would live for the rest of the 20th century.

The Weissenhof settlement, as the elongated strip of boxlike cement edifices was called, created an immediate stir. "The idea was a radical renunciation of the historic style," recalled Bodo Rasch, an architect who watched the Weissenhof emerge but was too young and too little-known to participate. "People came from all over to see the funny homes that were being built in Stuttgart."

The architects felt they were building for Everyman, for the urban citizen who would want to maximize living space in minimal quarters, but Everyman did not at first live in the hilltop settlement. Instead, the Weissenhof became a colony of intellectuals, journalists, actors and opera singers who appreciated the narrow space-saving passages and doorless rooms put in by Le Corbusier or the sculptured, shiplike terraces that Hans Scharoun worked into an arresting single-family dwelling.

The political mood in Germany was not propitious for the Weissenhof settlement. The Nazis denounced it as a heretical break with German traditions and "a suburb of Jerusalem."

In 1933, the year of the Nazi seizure of power, a counterdemonstration project of wood houses with gabled roofs was built nearby. The Nazis announced plans to raze the Weissenhof settlement and its creators slipped into the safety of exile in the United States and elsewhere.

In 1939, the city of Stuttgart sold the settlement to the Reich and, with war spreading over Europe, the Luftwaffe established an anti-aircraft battery on the strategically located hill. A military hospital for infectious diseases was also installed in a four-story apartment bloc designed by Mies van der Rohe. Allied bombing raids in 1945 destroyed about 40 percent of the settlement.

In the hungry postwar years, roaming bands plundered the settlement, stripping its wiring and

removing its doors for firewood. As West Germany began to rebuild, Everyman did finally settle in Weissenhof. The young West German state placed railroad and customs employees in its apartments. But some of them rebelled against the clean simplicities of the Bauhaus creations, putting pitched roofs on buildings of Behrens, Ludwig Hilbersheimer and Hans Poelzig. Roof apartments were stuck on the double-family house designed by Le Corbusier and Pierre Jeanneret.

By the early 1970s, Stuttgart had burst its seams and crept up its hills, enveloping the once-isolated colony in an anonymous urban sprawl. Curiously, several postwar architects working the neighborhood copied some of the Bauhaus structures, confusing further the identity of the settlement and confirming, perhaps, that the literal imitation of the Bauhaus movement on a mass scale was at once the greatest homage and greatest injustice done to it.

In 1977, a proposal by the West German government to sell the settlement it had inherited from Hitler's Reich aroused protest from the country's leading architects.

Rasch, who is now 81, gathered an assemblage of architects under a fanciful creation of helium balloons in his wooded backyard outside Stuttgart and founded a group that called itself the Friends of the Weissenhof. It lobbied vigorously to save and rebuild the community, which as early as 1956 had been declared a protected national monument.

Finally, the federal government in Bonn and the city of Stuttgart agreed on a joint reconstruction and conservation program to cost \$ million marks, or about \$3 million at the current rate of exchange. The shiplike Scharoun house was reconstructed in 1981 and the airy Le



One of the restored houses designed by Hans Scharoun.

Corbusier single-family dwelling in May 1983. From June 30 to July 1, an open house in the colony will inaugurate two buildings by Le Corbusier and the Dutchman J.J.P. Oud.

The houses, like the others, have been stripped to their skeletons and rebuilt. The original tenants, mostly retired customs and railway employees, may move back into their homes after being temporarily relocated.

Hermann Nägele, the senior architect on the project, hopes that eventually it will be possible to populate the colony with the intellectuals and writers who were its original inhabitants.

"The little man who lives here now doesn't understand the settlement," said Nägele, radiating the aspirations of its founders. "When

we started, they couldn't understand, for example, why we should take down a perfectly good roof off the Behrens house and make it flat."

Almost daily, Nägele receives pilgrims to the site, more often from abroad than from Germany. "One almost has the feeling that the settlement is better known in Japan and the United States than in Stuttgart," he said. He is concerned, moreover, that an austerity-minded government in Bonn determined to prune costs at the settlement, which is slated to be completed around 1987.

From his office, the architect has a view of an empty grassy space where twin buildings designed by the German architect Richard Döcker once stood. "It's too bad about the bombing," he said. But then he recalled that the Nazis' plans were to raze the settlement and erect a large barracks on its site.

"If Hitler had won the war the settlement wouldn't be here at all," he said.

Weird Harold Sets Frog Record

The Associated Press
ANGELS CAMP, California — Weird Harold, a warty constant from Sweet Home, Oregon, took a great leap forward to set a record of 21 feet, 1 1/2 inches at the Calaveras County Jumping Frog contest.

The 4 1/2-inch frog, owned by Janet Seiber, broke the record of 20-3/4 set at the contest last year by Johnny Juniper, owned by Bruce Hamilton. The winner picked up a \$1,500 prize. Taking second was a jump of 20-9/4 was Froggie Friend, owned by Les Gault of Santa Clara.

Herald Tribune

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BUSINESS ROUNDUP

ITT to Invest \$4.8 Billion in Europe, Mostly on Research, Development

By Axel Krause

PARIS — International Telephone & Telegraph Corp. said today that it plans to spend \$4.8 billion in Western Europe from 1984 through 1988, primarily for research and development, representing the largest single investment program in the company's history.

Company sources in Brussels said that the funds will be generated from earnings.

"ITT earns almost half its operating income in Europe," said V. Araskog, the company's chairman, adding, "these expenditures will ensure that Europe will continue to figure prominently in ITT's future."

The five-year investment program represents an increase of 50 percent from the previous 10-year period, after adjustments for currency fluctuations and discounts, an ITT executive said.

The research and development budget amounts to \$3.1 billion. The largest share, about \$2.6 billion, will be spent on developing telecommunications and electronics, mainly at ITT research centers in Belgium, West Germany, Italy,



V. Araskog

Norway, Spain and Italy, the company said.

In particular, business information and communications systems for offices have been targeted for development, executives of the New York-based company said.

They noted that the European market for these systems is expected to expand at a rate of about 20

percent a year during the next five years, amid intensifying competition from such companies as International Business Machines Corp. of the United States and Olivetti of Italy. Olivetti last December established a joint venture in office automation with American Telephone & Telegraph Co.

ITT also plans to spend \$1.7 billion for capital investments in Europe. About half of that is for its subsidiary, ITT Telecommunications Corp., while the rest will be shared by company affiliates in the hotel, publishing, automobile and semiconductor sectors.

The European outlays account for about 30 percent of ITT's worldwide capital investments, the company said.

Daniel P. Wendock, president of ITT-Europe, said, "This program will help this continent to stay a world contender."

He said that spending on research and development in Europe will continue to account for about 10 percent of ITT's European sales, which totaled \$6.8 billion last year. He cited several other areas targeted for development, including very large scale integration circuit design, or VLSI, advanced fiber-optic techniques and software programming.

Beatrice Foods May Make a Bid For Esmark Inc.

By John Holusha

CHICAGO — Beatrice Foods Co. said Monday that it may offer to acquire Esmark Inc. for \$36 a share for Esmark's common stock and \$39.76 a share for its convertible preferred shares.

Beatrice said its board would meet Tuesday to consider management's proposal, and that a further announcement would be made after the meeting.

Beatrice said that based on Esmark's common and preferred shares outstanding, the total value would be \$2.5 billion. It said its offer would be scheduled to expire on June 20, unless extended. Withdrawal rights will expire on June 13.

Esmark has 41.8 million common shares outstanding.

It is expected the offer would not be conditioned on any minimum number of shares being tendered. Lazard Frères & Co. would act as dealer manager for the offer, Beatrice said.

As reported, Esmark has agreed to a \$55 a share leveraged buyout arranged by Kohlberg, Kravis & Roberts.

Record U.S. Auto Industry Bonuses Viewed as Harming Other Industries

By John Holusha

DETROIT — To some people, the decision of General Motors Corp. and Ford Motor Co., the two largest U.S. automobile makers, to pay record bonuses to their executives while enjoying protection from Japanese competition is a symbol of management high-handedness that may cause political problems for all of corporate America.

In the two weeks since they were disclosed, the bonuses have stirred a storm of protests that Detroit seems to be feathering its own nest.

Executives of the auto companies acknowledge that they expected a hostile reaction to the payments, which put the compensation of top officers of General Motors and Ford well over \$1 million each for 1983.

But they say that high pay for top executives is standard in American business and that to leave auto executives' compensation below the levels of other manufacturing industries would risk seeing their most talented people go elsewhere.

Allen Glimco, Ford's vice president for external affairs, said public reaction was considered before the bonuses were paid.

"All of the ramifications were discussed in detail," he said. "We are not looking for trouble."

He said it was irrelevant that Japanese auto executives might be paid much less than their American counterparts, because carmakers must compete for executive talent at home, not in Japan.

General Motors, as is its practice, declined to discuss the matter. But some students of corporate behavior contend that multi-million-dollar payments to top executives, even if justifiable by American business standards, offend the public so much that they work against the companies in the longer run.

Robert Reich, a professor at Harvard's Kennedy School of Government, said, "What we are seeing now is an extraordinary free-for-all in the upper reaches of the executive suites." The author of several books on business-government relations, he is regarded as a generally liberal observer of the business scene.

"The aggregate effect on broad public attitudes toward business cannot be doubted," Mr. Reich said. "There will be increasingly broad-based public concern about

the apparently privileged and unaccountable positions of top executives of large firms."

For his part, Lee A. Iacocca, chairman of Chrysler Corp., has said he will hold his company's bonuses to top executives to about half those paid at Ford and GM.

Mr. Iacocca evidently feels that the public relations value of his company's gesture outweighs any risk of an exodus of top managers.

Automakers face a special image problem. Not only were the profits that generated the bonuses at least partly the fruit of government restraints on imports of Japanese cars, but also the domestic car industry remains tarred in the public mind by its past opposition to such goals as cleaner air and greater fuel economy.

A study of the automotive industry, done by the National Academy of Engineering in 1982, identified public resentment toward Detroit's operating style as one reason for the popularity of imported cars.

"Somewhere between 1953 and

1970," the academy's report concluded, "the public view of the industry was transformed. Its image of dynamic growth, superior technology and progress gave way to one of unprincipled social irresponsibility."

Since the auto industry is highly visible, many consumers may assume that what happens at GM and Ford typifies all big business.

Mr. Reich said, "There is a populist undercurrent in the U.S. political psyche that rears its head about every 20 years" in the form of restrictions placed on business.

The last such round came in the early 1960s, he said, adding that top executives would be advised to be "exceedingly sensitive to shifts in public mood."

The bonuses will affect this summer's negotiations with the United Auto Workers.

The UAW contends that fundamental fairness is violated when an executive is paid more money in one year than a worker will earn in a lifetime of factory toil.



Owen F. Bieber

Owen F. Bieber, president of the union, has said the bonuses will make it harder to gain an acceptable contract without a strike because members' expectations of a hefty pay increase have been raised.

Paul Tippet, chairman of American Motors Corp., has said the bonuses will ultimately add millions to the industry's costs because of increased worker demands.

Limited Planning to End Bid for Carter Hawley Hale

United Press International

COLUMBUS, Ohio — Limited Inc. said Monday it planned to terminate its tender offer for control of Carter Hawley Hale Stores Inc. later Monday, but continue its court challenge to the tactics that the retailer employed to thwart the takeover bid.

"The Limited intends to pursue the acquisition of Carter Hawley Hale," Robert H. Morosky, Limited vice chairman, said Monday.

Limited Inc. had offered \$35 a share for 19 million shares of common stock of Carter Hawley Hale, a Los Angeles-based retailer.

But Carter Hawley's board took steps to fend off the bid, including recruiting General Cinema Corp.

Limited said that preliminary reports showed as of the end of business Friday, about 3.14 million shares had been tendered and not withdrawn.

Limited, which is about one-third the size of Carter Hawley, had twice extended its tender offer. But Monday, the company said it planned to terminate its offer without purchasing any of the tendered shares "unless the conditions of its

offer are satisfied by 5 P.M. EDT today — which Limited does not expect to occur."

Mr. Morosky said Limited "will continue litigation against CHH, its directors and General Cinema in order to invalidate the General Cinema transaction."

He said Limited will continue to hold about 700,000 shares of CHH common stock and may purchase other shares.

Meanwhile it was reported Monday that the U.S. Labor Department has suspended plans to file suit against Bank of America for its actions as trustee of the employee stock plan of Carter Hawley Hale.

The department will wait until the "dust has settled" on Carter Hawley's fight against Limited's takeover bid before deciding whether to file suit, the Los Angeles Times reported.

The newspaper, quoting an unidentified government source, said Labor Department officials believed the bank of America's dual role as a major lender to Carter Hawley and as trustee for the company's stock plan constituted a conflict of interest.

Morgan Grenfell Raising Funds For Expansion

International Herald Tribune

LONDON — Morgan Grenfell Holdings Ltd., the merchant bank holding company, is raising funds to finance its ambitions in international securities trading.

Morgan said Monday that it plans to raise as much as \$45 million (\$63 million) through a sale of new ordinary shares to its current shareholders. The company also said it is considering whether to seek a listing for its shares on the London Stock Exchange, possibly next year. Such a move would increase the bank's opportunities for raising funds.

William Mackworth-Young, Morgan's chairman, said the bank would need more capital to take bigger trading and underwriting positions in the British and international securities markets. Morgan has been building up its Eurobond operations and recently acquired a stake in Pinchin, Denny & Co., a London stockbroker, or market maker.

COMPANY NOTES

Ashland Oil Co. of Ashland, Kentucky, has contracted Goldan Sachs & Co. to assist in a possible sale of its Intergen Corp. insurance subsidiary. The sale would be consistent with Ashland's stated corporate strategy emphasizing its energy and chemical sectors. No discussion with potential buyers has taken place, Ashland said Monday.

Australian & New Zealand Banking Group Ltd. said Monday that its earnings for the current fiscal year reflect a substantial improvement in its operations. The Melbourne-based trading bank expects a satisfactory result for the full year, although profit growth is forecast to be less than the 15-percent increase in net income of \$5.9 million Australian dollars (\$2.13 million) in its first half, ended March 31.

Cessna Aircraft Co. said Monday that the expected profits for the first two quarters will not be enough to prevent a loss for all of fiscal 1984. Net losses for the six months ended in March were \$17.2 million after a 660-million profit in the year earlier period. According to Brian Barrett, senior vice president for worldwide aircraft marketing, Cessna last year invested 10 percent of revenues in research and development compared with a more usual level of 5% to 6 percent.

That investment had cost Cessna profits in the short term, he said at an airshow in Hannover, West Germany, but "we now feel the company is healthier than ever."

Eagle Star Holdings said Monday that it had sold 13.9 million shares of BAT Industries PLC in the London Stock Exchange at slightly more than 113 pence (\$2.96) each. Shares of the tobacco, retailing and paper giant closed at 219 pence Monday, down 1 pence from Friday. The share sale was prompted by BAT's \$968-million

acquisition of the insurance company earlier this year.

Hanson Trust PLC signed a definitive agreement Monday whereby its HMAC Industries Inc. subsidiary will take over USI Industries Inc. Hanson owns 88.3 percent of USI's stock following its successful offer of \$23 for each USI share. USI stockholders are expected to formally approve the merger at a special meeting in July. Meanwhile, Gordon Walker, USI's chief executive officer, president and director, and David Clarke, HMAC president, has been elected USI's executive vice president and chief operating officer.

Hongkong & Shanghai Banking Corp. has agreed to sell the entire share capital of Mercantile Bank Ltd. of Britain to Citibank NA for an undisclosed amount. The company said only that the price was a premium over Mercantile's net asset value of £13.5 million.

Petrie Stores Corp. and Miller-Wohl Co. — two large U.S. retailers of women's clothing — have announced a merger plan that would bring nearly 1,400 stores under one corporate ownership. According to a definitive agreement, Petrie will acquire all the 12.8 million outstanding shares of Miller-Wohl for \$21 a share, or a total of \$270.2 million. The agreement also gives Petrie an option to purchase 2.1 million shares of common stock from Miller-Wohl, which will remain as an autonomous operation.

Standard Telephones & Cables PLC — joined by Telecommunication Authority of Singapore and the International Telecommunication Development Corp. of Taipei — has received a contract to build a submarine telephone cable system linking Hong Kong and Singapore and valued at \$60 million (\$83 million). The Hong Kong unit of Cable & Wireless PLC said Monday that the link is part of a larger system to join Hong Kong, Taiwan and Singapore.

J.S. Economy Slowing, Many Believe

(Continued from Page 9)

stability," said Marina V.N. Whitman, chief economist for General Motors Corp. "But in the real world, it looks as if the economy is running away and is not about to pull down either — it's just a healthy kind of expansion."

Allen Sinai of Shearson Lehman

American Express said that he believed that rising interest rates would not slow the economy for some time. "I think the timing effect of high interest rates on growth is still some months away," he said. "Although we've had one to two percentage-point hikes in interest rates, these hikes are not yet a major factor in slowing growth."

Mrs. Whitman is one of the economists who predict that the second-quarter GNP annual growth rate would fall to 3 to 5 percent. She said that automobile production, up sharply in the first quarter, should slow in the second because many producers like GM have decided to close plants earlier than usual to install equipment for the traditional fall introduction of new models, and also to reorganize assembly techniques.

Robert Ortner, the Commerce Department's chief economist, said that auto production added at least two percentage points to the first-quarter GNP estimate, but will drag down the second quarter.

"No one has been able to predict the stimulative effects of the Reagan administration's tax cuts," Mr. Sinai said.

"If there was one factor that made the economy grow faster than expected, it was those tax cuts," he said. "The mix of so stimulative a fiscal policy and tight money and high interest rates has been the mystery of the last year."

On the low end of the forecasting scale were economists such as Lawrence Chimerine of Chase Econometrics and Irwin Kellner of Manufacturers Hanover Trust Co., who put the second-quarter GNP growth rate at 3 percent.

These economists said they believed that a slower rate of inventory buildup would slow economic growth. "We know from conversations with businessmen that one of their high agenda items is to keep inventories at as low a level as possible," Mr. Kellner said.

Large inventories are expensive, he said, and businesses now have the computer technology to predict and track them more precisely.

Because of the drop in inflation, he said, businessmen are not rushing to buy goods now on the fear that they will be more expensive later.

Many businesses kept inventories abnormally low during the recession, economists said, and when they were confident of an economic recovery, they stocked up.

But other economists, while agreeing that slower inventory buildup would slow overall growth, placed more weight on the April measures of economic growth.

"We're off to a pretty fast start," Mr. Ortner said. "Unless things fall apart in May or June, 2 and 3 percent growth numbers look to be out the window."

He joined economists such as Mr. Heller and Richard Scott-Ram of Chemical Bank in predicting somewhat higher second-quarter GNP growth rates. Mr. Ortner and Mr. Heller estimated growth at 5 percent, Mr. Scott-Ram at 4.2 percent.

Mr. Sinai raised his 3 percent growth prediction to 3.7 percent because, he said, he had previously underestimated the strength of employment, retail sales and consumer spending. Strong auto sales in early May, along with the strong April economic indicators, he said, "indicate that consumers still are spending at a healthy clip."

Air Florida in Danger, Seeks Big Investment

Reuter

WASHINGTON — Air Florida Systems Inc. said in a Securities and Exchange Commission filing that a substantial equity or debt investment is necessary for the airline's continued operations.

Without further expense reductions, prompt payment of sums due to the Internal Revenue Service and the Federal Aviation Administration, and procurement of the investment, Air Florida "may not be able to continue as a going concern," the company said in its annual report filed with the SEC last week.

The filing came as Air Florida sought to raise \$100 million in new equity or debt to cover its operating losses and pay its debts.

The airline's losses for the first quarter of 1984 were \$10 million, compared with \$5 million for the same period last year.

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Merger of Monitors Has Good Rating

(Continued from Page 9)

Fuchs, an analyst with Kidder, Peabody & Co.

Since the first of the year, Dun & Bradstreet has purchased four small information companies in Britain, West Germany and Italy; the most recent was the purchase of £73 million (\$101 million) of Datastream PLC, a major supplier of financial information in Britain.

Dun & Bradstreet has admitted that its customer service in Europe has been disappointing, and is investing heavily to improve its computer capability and product offerings.

As for what Dun & Bradstreet would bring to the marriage, analysts cited an innovative technology in information services and lots of cash. "Nilsen has been criticized for being too good at one job for too long, or getting a little stale," Mr. Gottsman said.

Mr. Gottsman also suggested that Dun & Bradstreet's recent history — notably the acquisition of several information-services companies and the CompuLink divestiture — shows that the company is willing to re-evaluate itself and its business. It may thus cast a fresh eye over Nilsen's operations.

Mr. Nielsen said his company could gain from Dun & Bradstreet in industrial-marketing research, an area that Nielsen has begun to

explore through a subsidiary, Dataquest. Because of its size and accessibility, he noted, "most attention has been on consumer research" while the market for industrial goods has been largely overlooked.

He added that Dun & Bradstreet, through its direct-mail operation, has demographic information about U.S. households that could also be useful to the new company.

Mr. Fuchs agreed that the merger could spawn a number of new products over the next decade, including a Dun & Bradstreet consumer-information service. "D&B has enough money to support new product development at an aggressive rate," he said.

Mr. Nielsen said his company could gain from Dun & Bradstreet in industrial-marketing research, an area that Nielsen has begun to

explore through a subsidiary, Dataquest. Because of its size and accessibility, he noted, "most attention has been on consumer research" while the market for industrial goods has been largely overlooked.

He added that Dun & Bradstreet, through its direct-mail operation, has demographic information about U.S. households that could also be useful to the new company.

Mr. Fuchs agreed that the merger could spawn a number of new products over the next decade, including a Dun & Bradstreet consumer-information service. "D&B has enough money to support new product development at an aggressive rate," he said.

Monday's
NYSE
Closing

**Tables include the nationwide prices
up to the closing on Wall Street**

12 Month		Stock	Div.	Yld.	PE	Ols.		Close		Quot.	Ch'ge
High	Low					100s	High	Low			

(Continued from Page 10)

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the latest declaration.
 o—dividend *outright* (to stockholder)
 o—constant rate of dividend plus stock dividend/1
 o—interlocking dividend/1
 od—*odd-lot*/1
 o—new yearly low/1
 o—dividend declared or paid in preceding 12 months/1
 o—dividend in Canadian banks, subject to 15% non-residence
 1—dividend declared after split-up or stock dividend.
 1—dividend paid this year, omitted, deferred, or no action
 taken at dividend meeting
 1—dividend declared or paid this year, an accumulative
 basis with dividends in arrears.
 n—new issue in 12 to 18 weeks. The high-low range begins
 with the start of trading.
 nd—next day delivery.
 P/E—price-earnings ratio
 o—dividend declared or paid in preceding 12 months, plus
 stock dividend.
 s—stock split. Dividend begins with date of split.
 st—*split*.
 1—dividend paid in stock in preceding 12 months, *estimated*
 cash value as ex-dividend or ex-distribution date.
 v—*variable* bid/1
 v—trading halts/1
 v—in bankruptcy or receivership or being reorganized
 under the Securities Act, or securities assumed by such com-
 panies.
 wd—*when distributed*.
 w—*when issued*.
 x—*ex-dividend* or *ex-rights*.
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 y—*yield*.
 z—*notes* in full.
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**Monday's
AMEX
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Vol. of 6 p.m.	5,668,000
Prev. 4 p.m. Vol.	6,150,000

**Tables include the nationwide prices
Up to the closing on Wall Street**

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AL MAL MANAGEMENT	100.00	100.00	100.00	100.00
(m) Al-Mal Trust S.A.	100.00	100.00	100.00	100.00
BANK JULIUS BAER & CO. L.M.	100.00	100.00	100.00	100.00
(d) Bahrain	100.00	100.00	100.00	100.00
(d) Canada	100.00	100.00	100.00	100.00
(d) Germany	100.00	100.00	100.00	100.00
(d) Hong Kong	100.00	100.00	100.00	100.00
(d) India	100.00	100.00	100.00	100.00
(d) Japan	100.00	100.00	100.00	100.00
(d) Korea	100.00	100.00	100.00	100.00
(d) Malaysia	100.00	100.00	100.00	100.00
(d) Mexico	100.00	100.00	100.00	100.00
(d) Netherlands	100.00	100.00	100.00	100.00
(d) Norway	100.00	100.00	100.00	100.00
(d) Saudi Arabia	100.00	100.00	100.00	100.00
(d) Singapore	100.00	100.00	100.00	100.00
(d) South Africa	100.00	100.00	100.00	100.00
(d) Switzerland	100.00	100.00	100.00	100.00
(d) Taiwan	100.00	100.00	100.00	100.00
(d) Thailand	100.00	100.00	100.00	100.00
(d) United Kingdom	100.00	100.00	100.00	100.00
(d) United States	100.00	100.00	100.00	100.00
(d) West Germany	100.00	100.00	100.00	100.00
(d) Yugoslavia	100.00	100.00	100.00	100.00
(d) Zaire	100.00	100.00	100.00	100.00

NYSE Prices Decline To a 13-Month Low

United Press International
NEW YORK — The stock market skidded to a 13-month low Monday when an early rally attempt fizzled amid investor uncertainty about the course of interest rates because of Continental Illinois' financial problems.

The Dow Jones industrial average, up a point at the outset after falling 5.58 Friday, dropped \$4.8 to 1,125.31, the lowest level since it finished at 1,124.71 on April 8, 1983.

The Dow's previous 1984 low was 1,130.55 on April 5. It is down 161.54 from its Jan. 6 high of 1,186.64. Analysts said it could drop to the 1,000 level before the current slide ends.

The Dow transportation average lost 4.11 to 470.47 and the Dow utilities average fell 1.49 to 125.82.

The New York Stock Exchange index dropped 0.58 to 88.96 — the lowest level since March — and the price of an average share decreased 20 cents. Declines led advances 1,021-492 among the 1,964 issues traded.

Big Board volume totaled 73.4 million shares, down from 81.3 million traded Friday.

Stocks dropped during the afternoon when a bond market rally fizzled even though federal funds rates, which banks charge one another for overnight loans, traded in the 9 1/2 percent level, down from 11 percent of recent weeks.

"The federal funds are down because the Federal Reserve is pumping more money into the banking system to take care of the Continental Illinois situation," said William Sullivan of Dean Witter Reynolds.

"The duration of this trend of easier credit is unknown but investors realize we will have to pay for it later," Mr. Sullivan said.

The crisis has put the Fed — whose Open Market Committee meets Tuesday — in a difficult position of trying to calm down a blistering economy and keeping order in the banking system.

The Fed's Open Market Committee meets Tuesday and Wall Street will be watching interest rates for signs of policy actions.

"There is no reason to buy stocks right now with yields on bonds being so high," said John Burnett of Donaldson, Lufkin & Jenrette.

"But I think the market is poised for a small rally once we get a clearer picture of what is going on in the Middle East."

Several Arab oil powers have urged Iran and Iraq to stop bombing oil tankers in the Gulf. Such

Paris Commodities May 21

Commodity	Unit	Price
Sugar	100 lbs	12.50
Coffee	100 lbs	1.20
Cocoa	100 lbs	1.10
Wheat	100 lbs	1.00
Barley	100 lbs	0.90
Oats	100 lbs	0.80
Rice	100 lbs	0.70
Beans	100 lbs	0.60
Peas	100 lbs	0.50
Lentils	100 lbs	0.40
Flour	100 lbs	0.30
Oil	100 lbs	0.20
Alcohol	100 lbs	0.10
Vin	100 lbs	0.05
Wine	100 lbs	0.02
Spices	100 lbs	0.01
Herbs	100 lbs	0.005
Tea	100 lbs	0.002
Cashew	100 lbs	0.001
Peanut	100 lbs	0.0005
Soybean	100 lbs	0.0002
Canola	100 lbs	0.0001
Mustard	100 lbs	0.00005
Salt	100 lbs	0.00002
Iron	100 lbs	0.00001
Steel	100 lbs	0.000005
Copper	100 lbs	0.000002
Aluminum	100 lbs	0.000001
Zinc	100 lbs	0.0000005
Nickel	100 lbs	0.0000002
Lead	100 lbs	0.0000001
Gold	100 lbs	0.00000005
Silver	100 lbs	0.00000002
Platinum	100 lbs	0.00000001
Palladium	100 lbs	0.000000005
Rhodium	100 lbs	0.000000002
Iridium	100 lbs	0.000000001
Osmium	100 lbs	0.0000000005
Ruthenium	100 lbs	0.0000000002
Rhenium	100 lbs	0.0000000001
Scandium	100 lbs	0.00000000005
Titanium	100 lbs	0.00000000002
Vanadium	100 lbs	0.00000000001
Chromium	100 lbs	0.000000000005
Manganese	100 lbs	0.000000000002
Iron	100 lbs	0.000000000001
Cobalt	100 lbs	0.0000000000005
Nickel	100 lbs	0.0000000000002
Copper	100 lbs	0.0000000000001
Aluminum	100 lbs	0.00000000000005
Zinc	100 lbs	0.00000000000002
Nickel	100 lbs	0.00000000000001
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Gold	100 lbs	0.000000000000002
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Nickel	100 lbs	0.0005
Copper	100 lbs	0.0002
Aluminum	100 lbs	0.0001
Zinc	100 lbs	0.005
Nickel	100 lbs	0.000000000

How the Federal Government and the Biggest U.S. Banks Decided to Bail Out Continental Illinois

(Continued from Page 1)

Netherlands and Japan had become nervous about reports that more commercial loans had gone bad at Continental on top of the \$23 billion in problem loans reported at the end of this year's first quarter. Some pulled out funds, others demanded higher rates.

On Tuesday, Reuters news agency asked Continental to comment on rumors that it was headed for bankruptcy. Normally the bank would not comment on such rumors. However, deciding that this rumor should be attacked vigorously to reassure the foreign depositors, Mr. Taylor had the bank's resurser denounce the reports as "totally preposterous."

His words had hardly been uttered when the Commodity News Service moved a story that said a Japanese bank was interested in buying Continental.

Money from Japanese banks had already started to flee at an alarming rate. And the pattern of the withdrawals promised that there would be more. "A sun rose around the world, and the panic seemed to spread," said one Continental officer. When the sun got to Chicago, the Board of Trade Clearing Corp. withdrew \$50 million of its money.

When Mr. Taylor left his suburban home by limousine at 6 A.M. Thursday, he expected to face a day of returning to normal. He was wrong. European banks were now bailing out as fast as the Japanese,

and the price of Continental's shares went into a tailspin.

Mr. Taylor began rousing Washington. On Thursday, he read C.T. Conover, the comptroller of the currency, a Japanese wire-service account of the comptroller's purported talks to the Japanese. Having heard the same report elsewhere, Mr. Conover became alarmed.

Mr. Conover began his own attack on the rumors. Normally regulators do not comment publicly on rumors or individual banks they supervise.

"This was an unusual enough case that I chose to violate the policy," Mr. Conover said. "I decided to do something that was unprecedented. I issued this press release:

"A number of recent rumors concerning Continental Illinois National Bank & Trust Co. have caused some concern in the financial markets. The Controller's Office is not aware of any significant changes in the bank's operations, as reflected in its published financial statements, that would serve as a basis for these rumors."

"Last Friday," said Mr. Isaac of the FDIC, "I got a call from Todd Conover asking if I could join him in Volcker's [Paul A. Volcker, the Federal Reserve Board chairman] office to discuss the situation at Continental."

"We had a contingency plan for this kind of circumstance and decided it ought to be implemented if the situation continued to deteriorate."

The FDIC could infuse a substantial amount of money on an interim basis. We felt the number had to be large enough to restore confidence in the institution — at least \$1 billion but no more than \$2 billion. The plan included the FDIC's promise to protect all depositors, however big.

"We even had the documents ready," Mr. Isaac said, "without names and amounts. I called Continental to say we would be prepared to implement steps to begin the capital infusion."

By Friday, May 11, a surface calm had returned. The price of the stock rebounded. But deposits continued to leave Continental. The problem that had been foreseen with petrodollars 10 years by now becoming a shocking reality with Continental's Eurodollars. The outflow continued.

Before the books were closed that night the bank had borrowed \$3.6 billion from the Federal Reserve, convincing top management that help would be needed from the banking world.

Mr. Taylor appealed to Lewis T. Preston, chairman of Morgan Guaranty Trust Co. in New York, for help, about the time that the Japanese merger rumor reached Mr. Conover. Through the following weekend and mostly by telephone, Mr. Preston, Mr. Taylor and the heads of 15 other banks negotiated an ambitious \$4.5-billion loan for Continental to tide it through the toll of rumors. Overseas banks were cabled word of the agreement, which was announced Monday, May 14.

The \$4.5-billion loan was announced, but the run persisted, even accelerated. The markets were unresponsive that Continental was secure. A bank makes its money by charging borrowers more than it pays in interest to depositors. In face of the rumors, Continental had to pay higher rates on the certificates of deposit that banks, as well as other institutions issue big investors.

At the same time, it could not raise rates correspondingly to its borrowers and still remain competitive with other lenders. Continental's spreads were disappearing.

Domestic correspondent banks surprised that Continental needed so much assistance, started pulling their funds from the bank. Continental had about 2,000 correspondent banks with deposits exceeding the \$100,000 insurance limit.

Early Tuesday morning Mr. Volcker began making calls. He reached Mr. Isaac at home at 7:30. "The situation is continuing to deteriorate," Mr. Volcker said. "When can you come in?"

"We decided on Tuesday we would meet with the banks on Wednesday," said Mr. Conover. "It turned out that that was convenient. I was planning to be in New York for a meeting at Marine Mid-

land. Paul Volcker was going to be there because he was going to get an honorary degree at Columbia."

When that meeting broke up, Treasury Secretary Donald T. Regan began making calls. He requested an 11:30 meeting in his office with his deputy secretary, R.T. McNamar, along with Messrs. Volcker, Isaac and Conover. The discussion, mostly to brief Mr. Regan of the regulators' plans, ended after 45 minutes because Mr. Volcker and Mr. McNamar had to leave for other meetings.

Mr. Isaac and Mr. Conover joined the secretary for lunch in his private dining room. The decision was made then to ask the large commercial banks to contribute a share of the \$2-billion capital infusion that Mr. Isaac had settled upon. He would put up \$1.5 billion to buy subordinated notes in Continental, and the banks would be asked to put up \$500 million. This would be in addition to whatever new loan the banks would extend.

The critical meeting at Morgan began the next morning with Mr. Preston in charge. It had an informal quality. Nearly every major participant in the banking system took a seat at the Morgan conference table, although no representative of Continental was present.

The presidents or chairmen of most of the major banks attended the meeting, as did Comptroller Conover, Mr. Isaac of the FDIC and Anthony M. Solomon, president of the Federal Reserve Bank of New York, and Mr. Volcker, the towering, rumpled, often enigmatic central banker who for five years has been at the epicenter of the economy's main events.

Mr. Volcker was to leave the meeting for a while Wednesday afternoon to accept his honorary degree at Columbia University. His departure was disruptive, said one of the bankers, but there might have been bigger problems if he stayed. All the banking system needed then was a rumor that Continental's difficulties now required Mr. Volcker's full-time attention.

"Volcker began the meeting by outlining the nature of the problem in general terms," said one of those present. "He said he felt it was important that the banks act quickly and decisively to demonstrate to the world at large that we had the ability to cope with a major problem."

Mr. Conover then went over details of Continental's difficulties and the condition of the marketplace. Mr. Isaac followed, laying out the FDIC's plan to invest \$2 billion in subordinated notes in Continental with the banks then taking \$500 million of the total. This and the corporation's assurance of protection for deposits exceeding \$100,000 was to be the principal, and most important, departure from the safety net operation that had already failed.

"Would a private solution be adequate? But quite rapidly it became obvious that it would not," said a banker who was close to the meeting. "It was a very, very non-argumentative process. I'm telling you the truth. We all soon had that opinion. And there was sadness that we had to have that opinion. I don't think there was ever a moment when the group was stymied."

Just before lunch, Mr. Isaac got a reading on the progress of the talks. According to those there, he asked, "Are you confident enough that we should call in some lawyers?" The bankers agreed, and lawyers for the banks and the FDIC convened at the FDIC's New York regional office at 345 Park Avenue.

Still there were differences over details in the FDIC's plan, over the amounts of money involved there and over the new loan, of \$5.3 billion that the banks eventually settled upon, bringing the rescue total to \$7.3 billion. The Morgan meeting ended at 6:30, with everyone in accord on the outline of the plan.

For others that day, the lawyers and the regulators, there remained more difficult work. The lawyers would meet long into the night at the FDIC — all night it turned out.

At 4 A.M. Thursday Mr. Isaac received a call in his hotel room. "I heard they were breaking apart," he said. "Make that, not breaking apart, not proceeding apace."

The banks' lawyers, it turned out, had doubts about the way the \$2-billion capital infusion for Continental would be handled. The biggest problem was the relative status and credit of the banks and the FDIC. The plan was for Mr. Isaac's agency to buy the entire \$2 billion in subordinated notes and for the banks then to buy their share from the FDIC.

The discussions were still stymied at 7 A.M. "I got there by 7:15 or 7:20," said Mr. Conover, "and the place was packed." Mr. Isaac was there.

The bankers and lawyers sat down and negotiated, finally resolving the \$2-billion issue essentially as the FDIC had planned it. Enough of the work had been completed by 10 A.M. to invite Mr. Taylor to Continental to call a news conference announcing the plan.

For the rest of that day and through the weekend, the rescue appeared to be working. The markets settled, the run stopped and Continental's battered stock appeared to have firmed.

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